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The Press on commercial gambling

London

[pref. 1893]

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AGRICULTURAL AND COMMERCIAL DEPRESSION

THE PRESS
ON
COMMERCIAL GAMBLING

COMPILED BY

CHARLES W. SMITH

AUTHOR OF "DEPRESSION IN TRADE, LAND, AND SILVER" AND OF "COMMERCIAL GAMBLING"

WITH A PREFACE BY THE COMPILER

SAMPSON LOW, MARSTON & COMPANY, LIMITED
ST. DUNSTAN'S HOUSE, FETTER LANE, FLEET STREET, LONDON, E.C.
1893

PRICE ONE SHILLING

THE PRESS

ON

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COMPILED BY

CHARLES W. SMITH

LATE OF LIVERPOOL

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PREFACE.

THE fact that I am striving to put an end to gigantic abuses, which have crept into commerce to the great injury of producers, legitimate traders, and Bull speculators, and not to attain prestige as an author, is my excuse for adopting the somewhat unusual course of reprinting the opinions of the Press upon my views and arguments.

My subject is a new one to the vast majority of people in this country, and I can hardly expect to obtain a popular verdict in my favour, without showing that the evidence which I have brought forward has already sufficed to convince many of our leading men in the agricultural world, and others best qualified to judge, that the system I denounce is not only exceedingly mischievous, but one that the nation ought to check before it extends further to ruin all other markets.

I may point out, that during the past twelve months several nations have acknowledged the evil done by such gambling, not only on their Bourses but also on their Produce Exchanges, these systems having seriously affected the financial position of the capitalist and the investor, as well as the producer and the legitimate trader.

Russia and France have each taken strong measures to place obstacles in the way of this excessive gambling. America has done the same, and Germany is now agitating in the same direction (the two latter countries at the instigation of their farmers), and it will be noticed (page 48) that it is reported the German Minister of Commerce intends to bring forward a Bill for the reform of business done on the Produce Exchanges, and further, that even some members of those Exchanges admit some such step to be advisable.

The evil being therefore acknowledged by the above nations, why should not England join issue and legislate upon a subject admitted to be of the gravest importance, and one which has already resulted in one branch of industry (commerce) murdering another branch (agriculture) by stabbing the latter behind her back, being accompanied, let it not be forgotten, with attempted "suicide" on the part of commerce herself.

I finished my concluding remarks in my last book, 'Commercial Gambling,' with the following sentence: "*I now leave the questions at issue to the verdict of England, and to the British Press to say whether I have proved my case or not, and when forming their conclusion, don't let them forget the fact, that if an anti-option and anti-future Bill were passed in this country and in America, ninety-five per cent. of the whole population of the world would benefit by it, and further that the daily gambling in wheat, maize, cotton, and other produce, is only indulged in by a very small portion of the world, so that the majority of all classes are suffering by the gambling acts of a very small minority.*"

Since those words were written some 105 reviews, articles, and notices have appeared in the public Press, relative to the subject I have brought forward, which makes a total of about 150 since I first introduced the subject last January in my pioneer book, "Depression in Trade, Land, and Silver."

Out of that number, only about two are distinctly unfavourable, namely, the "Glasgow Herald" and "Stock Exchange." On pages 42, 43 of this pamphlet my readers will find these reviews with my answers. They speak for themselves.

The general verdict of the Press therefore unanimously supports me in having brought forward a subject, which I candidly admit must not only be unpalatable, but also distinctly unpopular in many of our commercial centres, for the simple reason, that the present generation of commercial men are being educated up to the idea that these gambling systems' form one of the most important factors in business life, but which, on investigation, will, I am convinced, be proved to be one of the original and principal causes of the general depression now existing, not only in trade, but also in agriculture. I trust the people of Great Britain, when they have mastered the subject, will also be as unanimous in their verdict as the Press has already been.

Before appealing to the farmers of this country, for whom this pamphlet is specially written, let me return my warmest thanks to the various gentlemen of the Press, as well as to others intimately connected with that powerful institution, for the extreme kindness and courtesy I have received at their hands, for without their help and assistance I frankly admit I should never have been able to have brought my subject so prominently before the public.

I should like specially to thank the Earl of Winchilsea, editor of the "National Agricultural Union Cable," and Mr. W. E. Bear (both of whom are well known in this country as the friends of agriculture), the former for his leading article, page 11, the latter for his articles I quote so freely in this pamphlet, viz., *Gambling in Farm Produce*, which appeared in the June number of "The Royal Agricultural Society's Journal," and *The Agricultural Problem*, in the September number of "The British Economic Association's Journal." The latter, I notice, will be continued in the December number of that Journal.

I am also greatly indebted to Mr. R. Henry Rew, the Secretary of the Central Chamber of Agriculture, a well-known writer and authority on all agricultural subjects.

I may also refer to the appreciative letters I have received from the *Director of the Farmers' Alliance, Berlin*, which Association, I am pleased to say (like the American Farmers' Alliance), has taken the subject up. Extracts from these letters, as well as from the German agricultural papers, will be found on pages 47, 48.

I should specially like to refer to one important factor regarding which, it will be noticed, some reviewers differ from me. It is the question of supply and demand, and to what extent this is the regulating medium of values.

I hold, that since the introduction of the Option, Future, and Settlement systems, supply and demand have little to do "pro tem" with regulating market values, and that prices have been influenced almost entirely by these pernicious systems.

I admit that the law of supply and demand is the original basis on which Bull speculators form their operations, and that it may in the long run have some small influence on values; but undoubtedly it is by the value of the speculators' Future paper contracts based on a settlement, combined with the tricks and manipulations in the gambling markets, that produce prices are principally governed nine months out of the twelve.

However, on this point I can specially refer my readers to pages 51–55

in this pamphlet, where they will find my answers to various questions put to me some months ago by a gentleman, who was greatly interested in the subject from this point of view; also to page 64, which refers to same subject.

I will now place before my readers, in as few words as possible, my principal contention, and can only hope this short explanation, combined with the various reviews and other information given in these pages, will prove to our farmers and others interested in agricultural depression, that I have the soundest grounds for bringing the subject before England, *as one of the direct and principal causes for the depreciation in values of agricultural produce.*

I may mention with great satisfaction that not one single statement of facts in either of my books has been challenged by any one individual engaged in the different trades and industries therein specially referred to.

This subject has been a study with me, from a "commercial" point of view, for the past ten to fifteen years. My principal contention has been that this general depression is not solely brought about by foreign competition in the shape of foreign importations, but by the fictitious and artificial basis on which of late years these foreign crops of wheat and other produce have been moved and manipulated abroad and imported into this country.

The present system of so-called "importing" now consists of pure speculation in paper contracts called "Options" and "Futures," and out of these contracts has arisen as a natural consequence a system of gigantic gambling, and it is the direct and inevitable result of these systems combined to depreciate the market values of all commodities that come under these systems, by making the farmer or producer the sport of the gambler, *thus bringing about an artificial decline in prices*, quite independent of supply, even in periods of present or future scarcity.

My readers will notice that American politicians, at the instigation of the "Farmers' Alliance," have already attempted legislation in the direction I advocate for England, and, as already remarked, the Berlin Farmers' Alliance has now taken the subject up. Although there is a time-honoured maxim that no prophet is honoured in his own country, still I hope to live to see English farmers follow in their steps and adopt the only course which, in my opinion, can save agriculture in this country.

I may specially draw attention to the fact that the gambling in prices of wheat and other farm products, both in America and England, act and re-act day after day on values all over the world where such commodities are grown and imported (especially in this country); hence the abuses arising out of the systems I expose have become an "International" question, which sooner or later must force itself upon legislators both in this country and abroad.

Those who have not read my books may wish me briefly to explain the system of "importing." It consists of "Importers" selling paper contracts, months ahead, called "Futures," as a hedge against actual produce bought abroad. These future contracts are sold to speculators, and against them hardly any produce is ever tendered.

I estimate that fully 90 per cent. of these contracts never have any produce tendered against them. Hence they are reduced to gambling contracts, pure and simple. *Thus, only* 10 *per cent. of "Future" contracts are utilised for* bonâ-fide *importing purposes.*

It is on this basis that the crops of the world are multiplied, for speculative purposes, twenty to fifty times more than the actual crops grown by the producers or farmers. These systems, being under a daily or weekly cash settlement for differences, cause what is termed "financial weakness in the

Clearing House" amongst the holders of these gambling contracts; and nine times out of ten an artificial decline in value is the result (see, for example, pages 22, 23), and the producers or farmers are thus placed at the mercy of the speculators, because the values of the actual produce held by the former are regulated all over the world by the values of these Future paper contracts, which are nothing more nor less than gamblers' contracts. On this topic I may specially call my readers' attention to page 15, which refers to Mr. W. E. Bear's articles in the *Economic Journal;* there they will find the opinions on this question of some of the ablest American authorities. I may further point out that in the various produce exchanges in America there are more professional "bears" than "bulls," or, in other words, more speculators interested in depreciating prices than in raising them. It was this fact which caused America to recognise the great injury done to agriculture by the former class.

In this country there are more "bulls" than "bears." I estimate only some 10 to 20 per cent. are professional "bears," and that fully 80 per cent. of the "bear" interest is created by individuals called "importers." The majority of these are compelled, from the nature of the system of "importing," to become "bears," by being obliged to sell Futures against produce bought abroad. Besides the "bear," our produce exchanges have to contend with the further illegitimate tribe of operators called "jobbers," "wreckers," "scalpers," "dealers," "manipulators," &c., who have no legitimate interest whatever in either the *bonâ-fide* commerce or agriculture of this or any other country. Hence in this country the greatest enemy the farmers have to contend with in the shape of the "bear" is the so-called "importer," who must all the year round (more or less) be a "bear" of a gambling paper contract held by a speculator, the latter, as I point out in my books, being very often a man of utterly reckless habits, and thoroughly impecunious in comparison to the operations he enters into. Hence the danger of financial weakness, which not only in its turn invariably brings about a fall in values, but prevents prices, even under favourable circumstances, from rising.

Now let us follow the past ten years, since these systems were introduced into this country from America as the basis of importing foreign produce, and what do we find? Why, that the values of all farm produce have gradually but surely tended downwards, with the inevitable result that an immense tract of wheat-growing land has gone out of cultivation; a most serious fact for this country, considering that the prosperity of our nation is dependent upon the prosperity of her home trade, which, as is well known, principally consists of her agriculture and the products of her soil.

The result is, that, as the values of wheat depreciate, more land year after year will go out of cultivation, until at last we shall find ourselves absolutely dependent upon supplies from abroad for our existence. At the present time it is estimated we are growing about one-fourth of our "home consumption" of wheat. Hence we have to import the remaining three-fourths.

These are serious facts to face, and my argument for years past has been that as long as foreign importations, under existing circumstances, are on the increase, so long will values (more or less) continue to decline (allowing for the usual fluctuations), being totally independent of the question of the nature of this country's harvest, or even whether we grow wheat or not. Why? Because I maintain that the system I expose, which now forms the basis of "importing," is utterly rotten in itself, and consequently, the larger the quantity of produce England has to import on the basis of these systems, combined with the gambling and manipulation of the crops, both in this country and America, the lower will values (allowing for the usual Bull and

Bear fluctuations) be *artificially* forced down, which, as I plainly pointed out in "Commercial Gambling," can only end in ruin and bankruptcy to all connected with land and agriculture. This again will re-act adversely in its turn (as it has already done) on all our great industries and commerce, and eventually must affect financially every man, woman, and child throughout the land.

It may be of interest to point out that the option and future systems had their origin in America about 1875. In 1879 the "Duke of Richmond's Royal Commission on Agriculture" was appointed, and did not issue a final report until 1882. For the three years 1877, 1878, and 1879, wheat averaged 49*s.* per quarter.

In 1883 these pernicious systems (as regards the corn trade) were introduced from America into England. But it was not until 1889–90 that they were extensively used in Liverpool, combined with a daily cash settlement for differences. The London Produce Clearing House was registered in 1888.

Therefore it is an odd coincidence, and may have an important bearing upon my subject, that the "Royal Commission" mentioned above, was appointed about four years after the introduction of these systems throughout America. Further, that we find another "Royal Commission" appointed in 1893 (with wheat selling at about 26*s.*), after those systems had been ruling in England for ten years, but only extensively so during the past three or four.

The important problem, therefore, for the present "Royal Commission" and other Agricultural Societies to solve is, What are the practical remedies (other than those I bring forward) *which will have the effect of raising the values of wheat and other farm products to the natural level, based on supply and demand*, which values have depreciated to such an alarming extent during the past ten to fifteen years (a decline in my opinion very largely artificial), say from an average for the three years 1877–79 of 49*s.* per quarter, as against the value of to-day, viz., about 26*s.*, *a depreciation equal to nearly fifty per cent.*

Let not also the further important factor be forgotten, viz., that since 1880 the population of the world, on the one hand, has been increasing, while on the other, the wheat area has been decreasing. This means the population of the world has been steadily outpacing the wheat area. However, on this point I beg to refer my readers to the views I expressed in 'Commercial Gambling,' which they will find put forth in the review of the *Scottish Farmer* on page 18.

Besides, as is well known, the prices of all cereals are materially affected by the value of wheat, and consequently the value of the latter tends to promote the prosperity or adversity of British agriculture more than that of any other. As regards the gigantic depreciation in the value of wheat in comparison to that of barley and oats, let me refer my readers to the special cause I put forth, which appears in the review of the *Mark Lane Express* on page 14.

Are there not under the above circumstances the soundest and best grounds for arguing that it is the combination and the extension of the gambling systems since 1883 *throughout America and England, which have been the direct and principal influence in causing the present enormous depreciation in agricultural values?*

On the outside of this pamphlet will be observed a picture representing the farmer, as he has been since the introduction of the "Future, Option, and Settlement" systems.

As the farmers in this country are very different to the farmers in America in their knowledge of "commercial slang," I think it right to explain that a "bull" is a person who is the possessor of actual farm produce, or who buys futures for a rise, and whose interest it is therefore that prices should rise.

A "bear" is a person who sells farm produce for future delivery, months ahead, very often even before the seed is sown by the farmer, having no actual produce at the time of sale in his possession, and of course no interest in maintaining its value, hence, he is the very worst enemy the farmer has, as it is by such sales in the shape of speculative "options" and "futures" based on a settlement, that the farmers' property is forestalled and depreciated, and thus made the sport of the gambler, without the farmer being able to recognise from what quarter the injury he suffers comes.

My readers will notice by the picture that the "bear" (or market wrecker, as he is also called in America) is sitting on the prostrate body of the "farmer" or "bull," and such will inevitably be the position of the farmer or producer as long as the laws of the land permit a "bear" speculator to sell what *he does not possess at the time of sale*, and by so doing enable him to forestall and manipulate to his own advantage the crops of the world grown and owned by farmers. These systems must tend to ruin the whole farming community, and I trust that I have been able to put the question so clearly and concisely before farmers as to enable them to understand how their industry is now being absolutely taken from them, and how, unless remedied, they must inevitably be completely ruined.

I may conclude by saying I am indebted to Mr. C. Wood Davis, of Kansas, U.S.A., for the subject of the picture just referred to, which I trust will help more fully to bring home to our farmers the nature and power of "bear" operations.

It was this gentleman, who, amongst others, was mainly instrumental in bringing the same subject forward in America (as I have done in England), with the result in his case that "The Farmers' Alliance" in that country agitated until legislation took place in the shape of a Bill called an "Anti-Option Bill," which absolutely forbids, under heavy penalties, any man from selling throughout America any sort of farm produce he is not the actual possessor of at the time of sale. This Bill was backed by Mr. Rusk, the late Secretary of Agriculture, and was passed in the Senate by a large majority. I may add that the American farmers are almost unanimous in its favour. The Bill arrived too late to be passed by the House of Representatives, *but it will be re-introduced again on the first favourable opportunity.*

The Remedy I put forth in 'Commercial Gambling' to cure the evil brought about by these pernicious speculative systems is a simple one. I enter into it with all its bearings most fully in that book. It will hurt no one, except the very small percentage of illegitimate gamblers who live, like parasites, by sucking the blood of the farmers. The *Remedy* I suggest is somewhat on the lines of the American Bill, but it is not so stringent. To sum it up in a few words it is: *To abolish in England, by making them illegal, speculative sales of all classes of produce; or, in plain language, to make it illegal for a man to sell what he has not got, and thus take it out of the power of any man or syndicate to depreciate, by such artificial selling, other people's property.*

I may finally and most forcibly point out, I am not bringing forward any *artificial scheme* for raising the values of agricultural commodities, but in fact, just the reverse, for all I propose is simply to do away with an *artificial system*, which has been the means of bringing about an *artificial decline in values.*

CHARLES W. SMITH.

WHITNEY COURT, HEREFORDSHIRE.
October, 1893.

THE PRESS ON COMMERCIAL GAMBLING.

The Journal of the Royal Agricultural Society of England (*June Number*).

GAMBLING IN FARM PRODUCE. [*Extract.*] By MR. W. E. BEAR.

DURING the last twenty years a system of trading in some of the principal farm products, and a few other leading commodities of the world, has sprung into existence, the most important features of which are the forestalling of the crops by selling them before they are grown, the sale for future delivery of goods which the sellers do not possess, an enormous amount of re-selling without the transfer of the commodities, rampant speculation, a method of "hedging," conducted after the professional betting-man's plan of book-making, and the establishment of clearing-houses in which a daily or weekly settlement of sums due on variations in prices is effected. This is known as the option or future system.

There is some uncertainty as to the precise date of its origin. Mr. C. W. Smith, editor of Whitaker, Whitehead and Co.'s *Weekly Trade, Finance, and Cotton Circular*, who has written a book, 'Depression in Trade, Land, Agriculture, and Silver,' on the subject, says that cotton was sold on the future system in England between 1866 and 1870 to a small extent, actual shipments being made, however, against all contracts. Between 1870 and 1876, he adds, these contracts took the form of "options," but only a few firms dealt in them. In the latter year a special form of contract for these dealings in cotton was prepared to prevent abuse. In about the same year the system came into use in the United States in connection with wheat, maize, and certain other commodities, and possibly it was known in connection with cotton at least as early as in this country. Indeed, America has usually been credited with the invention of the system, and it is only Mr. Smith's statement with respect to cotton which appears to traverse that impression. At any rate, it was in the United States that the system first sprang up in connection with grain and some other ordinary products of the farm. It was not until 1883 that a clearing-house for the settlement of the contracts, based on the system in question, was established in Liverpool, and by that time wheat and maize were embraced by it. There was not much done as regards grain under the system, however, even in Liverpool, before 1889. In 1888 the London Produce Clearing House was registered for the settlement of contracts in wheat, coffee, beet sugar, tea, silk, and silver.

As far as grain is concerned, however, the option system has made hardly any headway in London. No transactions in it take place on Mark Lane, though there are some on the Baltic, and the leading firms, as a rule, will have nothing to do with it. Liverpool is the only market in England in which the system has been extensively introduced into the grain trade. In the first instance, the system appears to have been the legitimate one of selling commodities for future delivery, the seller actually delivering at the date specified; but it was not long before what American farmers denounce as the abuse of "wind selling" or "flat selling" sprang up, extending to abominations of open gambling, which even the defenders of the system themselves do not excuse.

In order to render the operation of the system clear to those who have not studied it, it is necessary to define the principal terms which belong to it. Put in the fewest words, an "option" is an agreement whereby one party secures the option of selling to or buying from another party a given quantity of a certain commodity at a future date or within a future period at a fixed price. A "future" is an agreement whereby one party agrees to sell and deliver to, or buy and receive from, another party a given quantity of a certain

commodity at a future date or within a future period, at a fixed price. As a matter of fact, at the present time there is no difference between an option and a future, whether there ever was any difference or not. Until an effort was made to diminish the abuses of the option system, it was optional on the part of one of the parties to a transaction whether he would deliver or receive the commodity nominally dealt in, or pay or receive the difference between the price named in the contract and the current price at the date of its maturity; but it is said that no exchange or board of trade in the United States now recognises a contract in which ultimate delivery is optional. In the regular gambling-houses, outside the recognised exchanges, an option has the signification above referred to, no produce ever being delivered. But now, in the regular exchanges, the only option openly recognised is as to the precise date, within a month, at which delivery shall take place. According to agreement, say in a June option, the buyer or seller has the option of selecting any day in June for the delivery of the commodity. It is precisely the same with a future, and thus, so far as the rules of the corn exchanges are observed, there is no difference in effect between an option and a future. Moreover, by whichever name the contract is called, there is the same opportunity of abuse, and the opponents of the system declare that settlements are made in the great majority of instances without any delivery of the produce nominally dealt with in the contract.

In Senator Washburn's Anti-Option Bill, which was passed by the Senate in the last session of Congress, the following definitions appear:—

"1. That for the purposes of this Act the word 'option' shall be understood to mean any contract or agreement whereby a party thereto, or any party for whom or on whose behalf such contract or agreement is made, contracts to have or give, to himself or another, the option to buy or sell at a future time any grain or other commodity mentioned in Section 3 of this Act.

"2. That for the purposes of this Act the word 'future' shall be understood to mean any contract or agreement whereby a party agrees to buy or agrees to sell and deliver at a future time to another party any articles mentioned in Section 3 of this Act, when at the time of making such contract or agreement the party so agreeing to make such delivery, or the party for whom he acts as agent, broker, or *employé*, in making such contract or agreement, is not at the time of making the same the owner of the articles so contracted and agreed to be delivered, or unless the articles so contracted to be sold and delivered shall subsequently be actually delivered to the purchaser for manufacture or consumption."

Now, as already intimated, an option as here defined is not openly recognised by any corn exchange or board of trade in the United States. It is to be presumed, however, that those who drafted the Bill had reason to believe that such contracts were common, or they would not have thought it necessary to legislate against them.

The articles named in the Bill are "wheat, corn (maize), oats, rye, barley, cotton, and all other farm products. Also pork, lard, and all other hog products." It must not be understood, however, that all these commodoties are dealt with under the option system. The object was, no doubt, to make the section comprehensive, so as to prevent the system from extending. The following are lists of the commodities dealt with under the system in question:—America: wheat, maize, oats, cotton, coffee, sugar, pork, bacon, lard, and petroleum. England: wheat, maize, cotton, beet sugar, coffee, tea, silk, and silver. Iron, tin, and copper warrants also come under the same system.

Before proceeding to deal in detail with the recognised option and future system, I will briefly mention some of the worst abuses into which it has degenerated in connection with what are called "bucket shops," the existence of which has already been rendered illegal in some of the States. The origin of the term "bucket shop," used in America to designate a place in which gambling in grain and other options is carried on, has been explained by a prominent "operator." It originated, he says, in Chicago, where the Board of Trade would not allow a deal of less than five thousand bushels. In order to catch men of small means, what was called the "Open Board of Trade" was organised, and commenced business in an alley under the Board of Trade rooms. There was an elevator to carry members of the Board to the rooms above, and occasionally a member would call out, "I'll send down and get a bucketful pretty soon," referring to the speculators in the "Open Board of Trade" room. Hence the term "bucket shop" came to be applied to the latter establishment, and soon spread till it was used to describe all similar price-gambling institutions.

These transactions are acknowledged, even by the defenders of the option system, to be pure gambling in prices. Having briefly described them, it will not be necessary further to allude to them, and it will be understood that the rest of this article refers to transactions carried out in the regular exchanges of the country.

The technical terms used in connection with the speculative market system in America are so numerous that a regular glossary is necessary to enable persons not connected with the trade to understand market reports which appear in American papers, and even those which are telegraphed to English journals. At my suggestion Mr. C. W. Smith has prepared a list

of these terms for publication in a book, 'Commercial Gambling: the principal Cause of Depression in Agriculture and Trade,' which he is about to bring out, and I give below those which have not already been explained:—

"A 'Bull' is a person who buys options and futures for a rise in the market.

"A 'Bear' is a person who sells what he has not got in the shape of options and futures for a fall in the market.

"A person is said to be 'long' when he holds options and futures unsold.

"A person is said to be 'short' when he has sold options and futures which he will have to buy back.

"A 'Scalper' is a person who either sells short options or futures or buys long with the view of scalping an infinitesimal profit on the transaction.

"A 'Jobber' is a person who deals in options and futures with a view of making small profits, and generally winds up his transactions at the end of each day.

"A 'Dealer' is a person who is open to buy or sell options and futures at the smallest fraction over or under the market value.

"A 'Wrecker' is a determined operator who wrecks the market in options and futures in any way he can to obtain his ulterior object.

"A 'Manipulator' is a person who manipulates the market in options and futures, up or down, with a view of obtaining his ulterior object.

"A 'Cornerer' is a person who enters into enormous operations in options and futures with a view of artificially raising values, and with the ulterior object of cornering, not only the trader and consumer, but also those who have sold short, and thus compelling all classes to buy back from him at the artificial values ruling during the time he is making his corner. The cornerer lays his plans months before he actually intends to corner certain months.

"A 'Speculator' is a person who buys options and futures for a rise, or sells them for a fall.

"A 'Plunger' is a desperate, unprincipled gambler who plays for large stakes at the risk of utter ruin, but with the chance of making a fortune.

"A person is said to be 'unloading' when he is reselling his options and futures previously bought.

"A person is said to be 'covering' when he is buying back his options and futures previously sold.

"'Short selling' is selling options and futures a person has not got in the hope of being able to buy back at less money at a decline in the market.

"'Rigging the markets' is putting them up or down in futures and options artificially with some ulterior motive.

"A 'Syndicate' or 'Ring' is composed of many persons who have combined to rig the market in futures and options up or down by dealing in enormous quantities.

"'Bolstering' the option and future markets means trying to support them by artificial manipulation.

"'Hammering' the option and future markets means trying to depress them by artificial manipulation.

"'Switching' is a form of gambling which means reselling one month's options and futures previously bought and replacing them with those of a distant month, or buying back what a person has previously sold and selling again for a more distant month.

"A 'Margin' is a sum of money deposited by an operator in futures as a security for the payment of differences in prices that may become due from him during the currency of a contract. A margin may be increased if prices turned against the operator, or diminished if they turn in his favour.

"A 'Stop Order' is a form of gambling which means that a person can gamble in options or futures with minimum losses by giving orders that directly the loss has reached the sum stipulated the said contracts are to be closed at once.

"'Gambling on specified margins' means that directly the margin is gone the brokers have orders to close the options and futures at once.

"A 'Clearing-house' is an institution whereby all option and future contracts are liquidated, and where any actual produce tendered against such contracts is tendered according to the rules of the institution. In this way 80 to 90 per cent. of the future and option contracts bought and sold for delivery in each month of the year between the various members can be liquidated, and against these no produce is ever tendered.

"'Ringing-out' is a transaction whereby one contract of a given month is set against another contract of the same month between two parties trading together. The transaction is also known as 'sets-off.'

"The 'Settlement System' is an institution in connection with the clearing-house whereby the balances of all cash differences between all parties trading together are paid in or received on the basis of values fixed by a committee of this institution on a fixed day of each week, and thus each account is balanced daily or weekly to a penny. By this means operators in futures

and options can only lose one day's or week's differences in case of a member declaring himself bankrupt, and unable to meet his differences.

"A 'Carrying-Charge' (I may add) is a small amount paid to the person who really or nominally holds the commodity while a contract is maturing. It is paid in the form of a premium on the price of a distant 'future.'"

For some years past the future system has been rapidly extending in the United States, and an agitation against it has for some time been carried on by American farmers and their representatives in Congress. Almost universally farmers appear to be of opinion that the system is injurious to their interests, and of this view both the late Secretary of Agriculture and the Statistician of his Department were strong supporters. The history of the attempt at legislation against the system may be briefly described. Two Bills have been before Congress. The first was originally prepared by Mr. August Post, Secretary of the National Farmers' Alliance, by which body it was endorsed. It was introduced to Congress by Mr. Butterworth, and, on his retirement, Mr. Hatch of Missouri took charge of the measure, with such good effect that it passed the House of Representatives in 1892 by a large majority, but failed to reach the Senate before the adjournment. Mr. Washburn, of Minnesota, introduced a similar measure in the Senate, and this was passed just before the end of the session, and sent to the House of Representatives. In order to obtain a hearing for it out of the regular order of business, it was necessary to obtain a majority of two-thirds. On a motion for the consideration of the Bill being put before the House, 173 members voted for it, and 124 against it. Thus the measure was shelved on account of the majority being insufficient for the suspension of the regular order of proceedings in its favour; but it is understood that it will be reintroduced this year. There is very little difference between the two Bills. Both practically prohibit options and futures, as defined in almost similar terms, by requiring any dealer in these contracts to pay a licence of $1000 per annum, and a tax of five cents per pound on the articles which are sold by weight, and twenty cents a bushel on those which are sold by measure. These taxes would be entirely prohibitory, as they are meant to be. The denlers are further requested to register themselves and all their transactions in options and futures; and, in at least one of the Bills, they are required to keep their books in a specified manner under the supervision of the revenue authorities.

It is important to observe that neither of the Anti-Option Bills would prohibit future contracts if the seller has the produce dealt in; but there is some difference between the two in other respects. Under Mr. Washburn's Bill the contract would not be a future as defined in the Bill—"if the articles contracted to be sold and delivered shall subsequently be actually delivered to the purchaser for manufacture or consumption." Thus, under this Bill, a person possessing a commodity can sell it to anyone for future delivery without restriction; but if he has not the article in his possession, he may sell it and afterwards buy and deliver it only to a manufacturer or consumer—not to a speculator. It is provided in the Bill that it shall not apply to any contracts made with the United States, or any State, county, or municipality; nor to the contracts made by farmers for the sale and delivery of goods in actual course of production by them. In Mr. Hatch's Bill there is no exception in favour of the manufacturer or consumer, every one being practically prohibited from selling for future delivery unless he is the owner of the goods, or has acquired by purchase the right of their future possession under a contract previously made.

Some idea of the extent to which the future system prevails in the United States may be obtained from a statement of the recorded sales of wheat at the New York Produce Exchange during the first half of 1887, given by Mr. Steevens, the editor of *Bradstreet's*, in an article which he published some time ago in the *Quarterly Journal of Economics*. The spot sales amounted to 48,836,360 bushels, and the sales of futures to 867,594,740 bushels. Although he is a defender of the future system, he says:—

"The future sales as reported are nearly double the total reported harvest of wheat in the United States in 1886. During the same half-year the cash sales at St. Louis were 5,675,000 bushels, and the sales of futures 134,720,000."

Mr. Steevens goes on to say:—

"It is undoubtedly well within the limits of probability to assert that future sales of wheat at St. Louis, Chicago, and Toledo, with trading at leading Atlantic ports, aggregated during the first half of 1887 considerably in excess of two thousand million bushels of wheat; in other words, that they more than equalled the total production of wheat in the world in 1886."

It is to be observed that this total is for half a year only, and if for the whole year it was double, it amounted to about nine times the total production of wheat in the United States in the preceding harvest. But even this statement does not fully show the extent to which transactions are multiplied under the option system. Mr. Davis, of Kansas, says that by far the greater portion of the wheat grown in the United States is distributed from the local markets, and does not reach the Board of Trade markets at all; also, that a very large proportion of the wheat does not reach the lowest grade dealt with under the option system

He quotes from a report of the Chicago Board of Trade, showing that during five years ending with 1888 11,040,000,000 bushels of wheat and maize were grown, of which only 1,077,000,000 bushels, or 9·8 per cent., reached the eight interior Board of Trade markets, and much of this was doubtless counted twice, as grain is shipped from one market to another. He goes on to say that the grain reaching the seaboard markets cannot be counted, as it has been included once, if not twice, at interior points; and hence it follows that less than ten per cent. of the wheat and maize produced is sold in the Board of Trade markets. Therefore, if we put the statements of Mr. Steevens and Mr. Davis together, it appears that the sales of futures in a year are about ninety times the amount of grain actually disposed of in those markets. For Mr. Steevens states in effect that these future sales are nine times the total crop, and Mr. Davis declares that less than a tenth of the total crop is passed through the market in which futures are sold. This calculation, it will be observed, is not made on my authority, but is a deduction from the statements of two eminent authorities in the United States, one an advocate and the other an opponent of the option system.

Of course, the point of these statements is that an enormous preponderance of the business done under the future system is what is called "wind-selling"; that is, business in which no commodities pass from one party to the other. Even if there be delivery of a particular lot of produce on the maturity of a contract terminating three or four months ahead, it may be sold and re-sold any number of times in the interval, and delivery probably will not take place in respect of one of the intermediate sales; and who is to ensure that delivery takes place at the maturity of a contract, provided that the two parties to it agree to settle by a balance in money instead of by the delivery of the commodity?

At a conference of the National Board of Trade on the Anti-Option Bill, held last year, Mr. Davis said that 95 per cent. of the wheat that reached Chicago in the preceding week would not grade; that is to say, it was not good enough in quality to rank as No. 2, the lowest grade in which option-trading is carried on. He added that 98 per cent. of the wheat grown in Kansas in 1892 was below grade, and had to be sold by sample. Yet, he went on to say, the prices of the entire crop were ruled by those prevailing for the very small proportion of the crop sold many times over under the option system; for it is only the price of graded wheat which is quoted in the market reports.

The proportion of the American wheat crop moved to this country directly under the option or future system cannot be stated; but the whole of the quantity exported is moved on the basis of prices prevailing for options as a general rule, although sometimes prices are relatively higher in America than they are in England. The option system has extended to some other European countries besides England, and notably to France; but apart from the proportion of grain exported under the system, the prices of options and futures in America rule the prices of wheat and maize throughout the civilised world to a great extent, and especially when, as is generally the case, the American surplus is absolutely necessary to meet the demands of European consumption.

Now let us endeavour to imagine what takes place in connection with a wheat option for 5,000 bushels made on July 1, to terminate in October, the seller to have the option of fixing the particular date in October when delivery shall take place. Let us further suppose that there is a particular lot of grain which is transferred from one man to another until fifty men are interested in it, including the first seller. We have here forty-nine pairs of men, as every man except the first and last is a member of two pairs. For example, A sells to B, B to C, C to D, and so on till the fiftieth man is reached. Therefore there are forty-nine pairs of men whose interests are opposed as far as this particular transaction is concerned, one of each pair being interested in a rise, and the other in a fall of prices, after he has entered into a contract. Now, wherever the option or future system is in extensive operation, there is a daily or weekly settlement through a clearing-house, and the daily or weekly differences in price have to be settled between each of those forty-nine pairs of men on each settlement day. If the price advances above that at which the option is sold, every one of the forty-nine sellers has to pay the difference on 5,000 bushels to every one of the forty-nine buyers, because if he had to get the wheat to deliver he would have to pay so much more for it; and if the price falls, every one of the forty-nine buyers has to pay the difference to every one of the forty-nine sellers, because the price he has agreed to pay is so much more than the price at which the wheat could be bought. This is done to minimise risks, which might become very heavy during the whole period of the contract. As every one of the fifty men interested in the transaction, except the first and last, is both buyer and seller, forty-eight of them pay one man and receive from another, if there be any difference in price above or below the price agreed upon in each case, on every settlement day during July, August, September, and part of October, though possibly for only one day in October; and the first and last man have each to pay or receive. This shows how enormous the complications may be upon a sale of 5,000 bushels of wheat. But this is by no means all the complications involved, for every one of the fifty men may "hedge" more or less, to protect himself against loss on the transaction, by buying or selling other options. Of course the multitudinous transactions are simplified by means of

the clearing-house; but the effect is the same as if each man had to pay all those to whom he owes, and receive from all who are indebted to him. In this country, at least, it is not usual for any particular lot of grain to be transferred as supposed under the future system; but the effect of the usual transactions is as above described, except that thousands take place without any delivery of grain whatever.

It is customary among some English importers of grain to hedge by selling options or futures in this country or in the United States—usually in this country. For example, if an importer buys 10,000 quarters of wheat abroad, rather than risk the whole amount that he would lose if a fall took place, he sells an equal quantity of wheat in the shape of futures at the highest price he can get. If he sells the futures at the same price as he has paid for the grain, he covers his risk entirely, and stands to win at least as much on the former in the event of a fall in price as he will lose on the latter. Indeed, a series of falls will be more to his advantage than a series of advances, because he cannot get any profit on his grain till it arrives in this country, and for every advance in price he will have to pay cash on his futures, which might be inconvenient; whereas, in the event of a heavy fall, he might buy in his futures on very advantageous terms, wait for a temporary turn in the market in order to sell again, and then look forward to another fall to enable him to repeat the manipulation. In short, what suits him best is a series of falls, with brief recoveries or partial recoveries at intervals. But a continuous fall will be more advantageous to him that a continuous rise.

From the preceding statements it will be gathered that there is a very large number of men, especially in the United States, engaged in purely speculative trading in grain and other products. Of course there are often many transfers of a lot of wheat in markets conducted under the old system of trading; but anything approaching to the number which take place in the principal markets of the United States and in Liverpool would never have occurred under the old system. Nine-tenths of them, and possibly ninety-nine hundredths, are altogether unnecessary for distributive purposes. Whether they can be defended on other grounds I am not just at the present moment considering. It is clear, at any rate, that the vast majority of men engaged in the option business are pure speculators upon prices, whether they are to be called gamblers or not. When fifty men are engaged in a transaction respecting 5,000 bushels of wheat, as supposed in an example given above, only the first and last can actually handle the grain; and as for all the rest, to all effects and purposes they might just as well have been speculating upon a horse-race as upon the price of wheat.

Connected with the option system is the trick which is known as "cornering." No doubt corners were effected long before options were invented, although they were not known by the name at present given to them. It is no new thing for men to endeavour to buy up a commodity which is supposed to be scarce or likely to become so in order to create a monopoly or partial monopoly, and command their own price. But formerly, when this was done, it was a case of enormous risk. Moreover, it could not be carried out except by men possessed of a large amount of capital. But now, under the system of hedging and weekly or daily settlements, the risk of cornering is greatly minimised, and men are helped by bankers or brokers to effect corners, and in many cases men of straw, or at any rate men in an utterly unsound financial condition, have managed to carry on a corner for some time. It does not follow that such attempts at partial monopoly are more likely to be successful than they were under the old system of trade. On the contrary, there is such an enormous amount of scheming against anything of that kind by the men whose interest it is to depress prices, that it is probably more difficult to effect a successful corner than it ever was before. But the risk to the persons who attempt it is, as has been stated, less than it used to be; while, on the other hand, the risk to other persons is much greater.

Writing again on the subject in November last, Mr. Davis said that while the merchants, millers, spinners and exporters were ever working for lower prices that their contracts may return to their possession at a good round profit, there remain only the isolated and powerless producers interested in maintaining or advancing prices. He remarked that he was long puzzled by the apparently anomalous action of buyers of actual grain. Apparently they should be interested in advancing prices after they have bought, and yet their every utterance was of a character to depreciate the property they owned. The mystery was solved to him when he ascertained that the moment one of these "receivers," as they are called, has bought a quantity of grain he hedges by selling a future against it, and he has no further interest in the price of the actual grain, while he has an abiding and intensely absorbing interest in depressing the price, in order that he may buy in his outstanding contracts at a profit. The price the receiver pays the farmer, Mr. Davis goes on to say, is regulated by the price of options, and it matters not to the receiver how low that price may be so long as he hedges at once and can drive the price to a still lower level when taking in his contracts, and this work he is always engaged in.

The clearness and comprehensiveness of Mr. Davis's arguments render it unnecessary to quote many other American opponents of the option system whose evidence I have before me.

The opinions of a few merchants on the London Corn Exchange have been quoted in defence of the option system; but many more whom I consulted on the subject declared strongly against it. Several said that the best firms on Mark Lane would have nothing to do with the option dealers, and that any firm dabbling in options was regarded with suspicion. It was also said that nearly all the London firms who had dealt in options had burnt their fingers. The system, it was remarked, did not work well with legitimate trading, and it was only those who made a study of it, and devoted themselves entirely to it, who could hold their own in it. The prevalent opinion among the merchants consulted was also to the effect that the option system tended to lower prices, because the men selling enormous quantities of fictitious grain were all concerned in the depreciation of prices after they had sold, and the buyers, importers, and millers had no power against these speculators, while many of them became speculators themselves, and interested in a fall at least as much as in a rise, by selling futures against their purchases.

The only writer in this country who has dealt with this option system in a detailed and comprehensive manner is Mr. C. W. Smith, late of Liverpool. In the first book which he published on the subject, he stated that when the system was extended to Liverpool he was a member of a firm of brokers in that city, and that for some time he strongly opposed the new method of trading. He found, however, that he must adopt it unless he intended to be crowded out of his business, and when he retired from the firm with which he was connected he had been engaged in option trading about fifteen years. He commenced, he says, as a "bull," but soon found that the "bulls" almost always got the worst of it. Since making that discovery he has been a persistent "bear," greatly to the profit of those with whom he was concerned, and to the advantage of his own business. He is convinced that the option system is not only the cause of ruin to a great number of people engaged in the speculative trade, and to others with whom they are connected in business, but also that it is in great measure accountable for the agricultural and commercial depression which has prevailed for so many years in this and other countries. He has, therefore, made it his business to denounce the system under which he was formerly engaged, and in the second book which he has written on the subject he has gone into great detail in exposing its methods and effects.

Among the statements made in Mr. Smith's second book ('Commercial Gambling') are some which may be briefly given in substance. He says that in a falling market importers are protected by their sales of futures, taking daily or weekly cash differences as the market falls. This shows clearly how it is that importers who might be supposed to be on the side of the bulls, really become bears in respect of the options which they sell against their importations. Conversely, in a rising market, importers are often in difficulty if they are men who deal in options, as they have to buy back the futures they have sold, because they cannot realise quickly enough their actual stocks on the same parity of values as the rise in the market for futures. Therefore, to create cash to pay into the clearing-house, they must sell part of their actual stocks at the best price they can get, or buy back their futures, and then, when the market turns once more, the futures have to be sold again at the best price that can be got, and so on. An importer, it may be observed, can take his time to buy, as a rule; but he is often a compulsory seller, unless he happens to be a man of great capital. Mr. Smith gives these examples as showing, not only that the option system tends to reduce prices, because it is the interest of almost all classes of men engaged in the business to run them down, but also because it causes panics which tend, in their turn, to reduce prices. The option system, he says, where it has become common, has driven the old class of merchants, men of large capital, out of business, and has admitted a number of mere men of straw. As an example of this, he states that a panic in the cotton trade was brought about by a couple of bank clerks who robbed their employers of £180,000 to pay their differences in the clearing-house, the result being extensive failures and the ruin of many men of business. In special seasons, Mr. Smith remarks, when speculation is rampant, extra carrying premiums, from 5 to 6 per cent., on futures are sometimes paid, and these, of course, induce men to hold grain or other commodities; but usually there is no extra premium, and sometimes futures are actually at a discount, or lower than spot prices, so that there is no inducement whatever to hold actual stocks of grain. It might be supposed that corners were advantageous to producers, but it is pointed out that they never take place until the farmers have sold most of their grain; so that, if a rise is kept up for a time because of a corner, the farmers seldom get the benefit of it. Moreover, the knowledge that there is an immense accumulation of grain or any other commodity, owing to a corner, paralyses trade, because business men are afraid of a sudden unloading, which would swamp the markets. At any moment a corner may break down, quite against the wish of those who are conducting it, and the collapse in prices in such a case is disastrous to a large number of people. Mr. Smith, in his new book, sums up his arguments in certain statements, which he claims to have proved.

Readers who are desirous of becoming thoroughly acquainted with the details of the system under notice may be referred to the book from which these conclusions are taken, written by a man who "knows every rope in the ship."

Conclusions.

It is time now to examine the evidence for and against the option system. It appears to me that Mr. Davis in America and Mr. C. W. Smith in England have clearly disposed of all the arguments of the defenders, not to mention the numerous other witnesses who are on the attacking side. It must be borne in mind that all the attacks on the option system are directed against the purely speculative operations which take place under it, and in all cases in which I have spoken of men as attacking the option system this was meant. No one objects to a man who wants corn, pork, cotton, or sugar buying it for future delivery at a fixed price. It is often necessary for him to do so, in order that he may know at what price he can afford to resell. For example, a miller has to enter into contracts for the delivery of flour for two or three months to come, and before he can safely fix the price he wants to know what he will have to give for the wheat. In short, the attack is upon precisely those abuses of the future trading system which the Anti-Option Bill prohibits. This explanation is necessary in passing judgment upon the controversy which has been given in a brief form in the preceding portion of this article.

With respect to the assertion that the principal grain crops of the United States could not be moved in the autumn without the aid of the option system, Mr. Davis has sufficiently disposed of it by showing that only a very small proportion of this grain comes under the system. His opponents rejoin to the effect that, although none of the wheat which does not grade up to No. 2 is sold in options, these who purchase it sell options of graded wheat by way of hedging, and that if they could not do this they would not be able to carry the great bulk of the ungraded grain through the winter, unless they could buy it at a sufficiently low price to protect themselves against risks. This is by far the most important argument in favour of the option system. If examined, however, it will be found to be inconsistent with other statements made by those who use it. If an elevator company buy a million bushels of ungraded wheat, what is to prevent them from selling it for delivery months ahead at fixed prices to different buyers who want it? They could sell it by sample, or as an inferior grade, as they actually do sell it when it is sold for delivery. As possessors of the wheat, they would be entitled under the Anti-Option Bill to sell it for future delivery to anyone. Why should it be necessary for them to sell, nominally, graded wheat which they have not got, under the option system? If delivery be the essential feature of every future contract, as the defenders of the option system pretend, why cannot these holders of ungraded wheat sell futures of what they possess and can deliver, as well as futures of what they do not possess, and yet, according to the gentlemen referred to, will be bound to deliver ultimately? There cannot be any reason for their preference for the latter, except that they will not be bound to deliver it at all. In an ordinary season America grows no more wheat now than she produced twelve or thirteen years ago, when the option system had made very little headway; and if the grain crops could be moved then without the new system, why should it be necessary at the present time?

As to the statement that elevator companies, millers, and speculators would pay less than they pay now for wheat to hold through the winter, if they could not protect themselves by means of options, the fact is clear that they pay very much less now than they paid when they had not the advantage of the system. Moreover, as already stated, they could sell futures to the full amount of the grain in their possession for actual delivery any number of months ahead; and if the gambling element of the option system were destroyed, there is no doubt that they would sell futures in this way. Legitimate speculation in the purchase of wheat beforehand without any hedging has been knocked on the head by the gambling system, and would be restored by the abolition of that system. The system has rendered the market in which it prevails the playground of gambling tricksters, and has gone far to render legitimate trading altogether unsafe. It has broken down all confidence in the old system of judging as to the probable course of trade, based upon present and prospective supplies and demands. These influences, I am convinced, have had a far more potent effect in depressing prices than any risk of holding wheat through the winter could possibly have if business were conducted in the old-fashioned way. Even if it be true that men who hold large stocks of wheat until they can be sent into consumption would want to make larger carrying charges than they make at present under the hedging system, there appears to me every reason to believe that such extra margins of profit would be trifling in comparison with the advantages to be obtained through the abolition of a system which tends to lower prices all round, probably to an enormous extent.

The contention that there is no such thing as mere "wind-selling," or gambling in prices, in any regular market, because delivery is always "contemplated," is clearly a mere subterfuge, as it is admitted that there is no delivery in forty-nine future contracts out of fifty, or perhaps in ninety-nine out of a hundred. It will not do to say that in the cases in which delivery does not take place there is a nominal transfer of produce which is ultimately

delivered to some one, because this is true only in cases in which a specified lot of produce is sold and resold many times, while in the vast majority of instances no particular lot is ever in view, but only a certain quantity of a given grade. A may sell 10,000 bushels of No. 2 American red wheat, nominally for July delivery, to B, who in his turn sells 5,000 bushels of the same grade to C for August delivery and 5,000 bushels to D for September, while C and D in their turn may sell various quantities of the same grade for different months. In all probability the wheat in sight when A's July delivery would be due would all have been disposed of before C's September delivery took place; so that it would be nonsense to say that the wheat A sells is merely transferred, instead of being delivered to B. All the men may settle in differences of price, and not one may have any intention of handling the grain. Any buyer can insist on delivery, it is true, and this is all that the much-vaunted rule of the exchanges or clearing-houses amounts to. The fact remains that the vast majority of dealings in options or futures in America, Liverpool, or London are settled without delivery. I have before me the rules of the Liverpool and London clearing-houses in relation to grain, and in both settlement without delivery is clearly provided for. Mr. C. W. Smith, who has operated in Liverpool for many years, says that 95 per cent. of future contracts are settled without any transfer of produce; and one of the highest authorities in London tells me that in the London Produce Exchange the business done nominally in grain is "purely an option business." "Any buyer may demand delivery," he adds; "but no one does." The options are simply hedges against actual imports, or purely gambling ventures.

Another argument of the defenders of the system is that it multiplies the number of persons willing to buy the farmer's produce, and that therefore it must be beneficial to him. To say the least, this argument is neutralised by the counter contention that the system puts an enormous amount of fictitious grain on the markets, which, *per se*, must tend to depress prices.

Now let us consider the contention of those who declare that in the long run the option system makes no difference to prices, or that if it tends to depress them in periods of plenty, it also tends to enhance them in a corresponding degree in seasons of scarcity.

At first sight it might appear to anyone not conversant with the details of the option system that, as in every contract there must be one person interested in a rise of prices and one interested in a fall, as far as that particular contract is concerned, and that therefore in the whole mass of contracts there must be as many interested on one side as on the other, the influences of the two sets, so far as men have power to affect prices, must precisely neutralise each other in the long run. I have never seen the argument put in this form by defenders of the system; but it has occurred to myself as the most plausible of any that they could possibly use. Its fallacy lies in the fact, previously alluded to, that in the speculative market the "bears" in the long run must be stronger than the "bulls." One reason is, that a great number of those who rank on the "bull" side, such as millers who purchase corn for manufacture, and merchants who import it for distribution, are not, as a rule, men who make a business of manipulating the markets. Those of them who buy in the old-fashioned way, as a great majority of millers and importers in this country still do, are not acting "bulls" at all, although in the equal division which it has been said there must be among those who are interested in a rise or in a fall in prices they rank on the "bull" side. As to those who hedge against their future purchases, they are the weakest of sellers, as they are often compelled to sell quickly after making a large purchase, in order to meet their settlements. Thus, while they are waiting to buy they are interested in a fall, and when they have bought they help to create a further fall by their anxiety to sell in order to hedge. Having hedged, as explained in an example given on a preceding page, they are interested in a fall rather than in a rise. Indeed, in the event of a great drop in price taking place, the men who have bought futures of them may be constrained to settle up prematurely on terms highly advantageous to them. Moreover, they can make their sales of futures much more extensive than their purchase of grain, if they see a chance of gain by so doing, and then they join the "bears" in effect, to run down prices.

Then we have the fact that the trickery which is rampant under the system, the frequent collapses of men of straw who are introduced by it, and the panics which are got up artificially, or which occur on the collapse of attempts to corner a commodity, all tend on the side of the "bears." On the other hand, the worst tricks of the "bulls," the corners which they get up, have really a more damaging effect upon prices than anything which the "bears" can do; for, so long as a corner exists, no confidence can be felt by legitimate traders in the course of prices for a single day to come, as a break-down may occur without an hour's notice. I think it is perfectly clear, then, that there is no such equality between the opposing forces under the option system as has been suggested.

So far as traders or speculators can influence prices, as they frequently can by means of false reports, or by tricks in buying or selling for that distinct purpose, a comparison of the old and new systems clearly shows that the latter has been a disadvantage to producers. Under the former, everyone who bought grain or other produce to resell in its raw form, or as a manufactured commodity, was interested in an advance of price, and a continuously rising

market was invariably advantageous to all dealers. But now, under the new system, where it prevails, there must be, to say the least, as many operators, in the long run, interested in a fall as there are dealers who will be benefited by a rise. In other words, under the old system, all dealers in produce in the long run were "bulls," whereas under the new system at least half are "bears." Speculators under the old-fashioned method of trading might desire a fall in prices before buying heavy stocks; but as soon as they had bought they were anxious to see an advance. They were only temporarily interested in a fall, while now they may be, and many of them are, interested in a constant fall. This comparison appears to me to prove to demonstration that the option system has tended to depress prices, so far as the influence of dealers can depress them.

Let us consider for a moment to what extent operators can influence prices. It may be said that, in the long run, values must be ruled by supply and demand; and this, with qualifications, may be admitted. But, in the first place, the "long run" is one which commonly leaves the farmer out of any advantages secured under it, as the gamblers in the prices of farm produce are frequently able to manipulate the markets during the period when most farmers are selling their grain. Moreover, by their individual tricks or combinations these men create a constant feeling of insecurity which tends permanently to depress trade. Again, the system under which they operate is in itself a cause of depression, because it admits men of no capital worth mentioning as speculators under it, and the frequent failures of such men to meet their obligations under the daily or weekly settlement system are causes of occasional panics and permanent distrust, which prevent advances that might take place under sound conditions of trading. The system has led, too, in Liverpool, as well as in the United States, to what may be termed a regular state of market warfare, rather than trading. Great operators and "rings" are consequently plotting deliberately to ruin others, no trick being too abominable for them to descend to in effecting their purpose. At one time they sell frantically in order to create a panic, instructing their brokers to buy in for them far more than they have sold when prices have been brought low enough. This may be done to break a "corner," ruining the men engaged in it, and to acquire it on their own account. At another time they may buy with apparent eagerness, leading scores of gulls to follow their example, and suddenly turn round and sell to an enormous extent, when they have artificially advanced prices. Such tricks are fatal to sound trading, and drive capital out of the business in which they are practised, leaving it mainly to become the sport of gamblers.

It is a notable fact, and very remarkable if it be an example of mere coincidence, that the commodities which come under the option system have fallen in value during the last ten or fifteen years to a greater extent than other articles of farm produce. There have been temporary advances in two of the products referred to, due to exceptional scarcity (as in the case of the flesh of the pig at the present time) or to gigantic speculation; but, as a rule, the fact is as above stated. Space forbids me to prove this statement by figures, and it is hardly necessary to do so, as anyone familiar with the prices of farm products will see at once that it is correct.

The American Anti-Option Bill will probably become law during the present year, and this will be a great gain. But there is a possible danger for European countries in the prospect. It may be that the stoppage of the gambling system of trading in America, its chief home, will knock it on the head altogether; but, on the other hand, it is possible that this will only cause its transportation. For example, Liverpool may take the place of Chicago as the great centre of option trading. Whether this be an imaginary or a real danger, there can be no question upon a point to which I wish to draw the special attention of British agriculturists. It would greatly strengthen the hands of the opponents of the gambling system in America if we, in this country, followed their example in demanding legislation against it. Immediate legislation, of course, is out of the question, and what I desire to induce agriculturists to ask for promptly is the appointment of a Select Committee to inquire into the subject.

There is, surely, substantial reason for a Parliamentary inquiry. In the Liverpool and London markets there are, as has been shown, good grounds for believing that the practices in question are conducted in a manner which, if not demonstrably illegal, is highly objectionable from many points of view. Apparently the law is not stringent enough to suppress the evils, as it fails to put down gambling of the more familiar kind. The subterfuges which are resorted to under the system indicated would probably render a conviction for gambling difficult, if not impossible.

But, apart from the objection to gambling in principle, there is every reason to affirm that farmers and landowners, and labourers through them, and, indeed, all who are connected with the land, are seriously injured by the system of gambling in farm produce, which artificially depresses prices and restrains legitimate trading; and that system, therefore, should be stopped before it becomes more extensive than it is in this country. That this would be proved by a Parliamentary inquiry I have no doubt whatever, and therefore I desire nothing better than the appointment of a Select Committee of the House of Commons to investigate the question, with power to examine witnesses engaged in, or otherwise conversant with, the system of trading in options or futures.

The County Gentleman, September 9th.

The thanks, not of agriculturists alone, but of the whole community, are due to Mr. Smith for his fearless and able exposure of the colossal system of gambling pursued by operators in "options" and "futures," with special reference to its disastrous effects upon the prices of agricultural produce. We will not go so far as to say that this system is the whole and sole cause of the agricultural depression which has been so severe and so long continued. Foreign competition and bad harvests have had a good deal to do with the British farmers' present unfortunate position, the one by lowering prices, the other by reducing crops. But after reading Mr. Smith's clearly thought-out and forcibly-expressed arguments, we are forced to the conclusion that not only does the system of "options," "futures," and "settlements" tend directly to the depression of prices, but that it enters into an unholy alliance with the two factors above mentioned, with the result of greatly intensifying the evils they would in any case have produced. For instance, the price of British corn is low, because the price of imported corn is low. But the price of the foreign corn has been artificially forced down as regards the producer by the action of the speculators in question. It is therefore something more formidable than fair and natural foreign competition that the British farmer is called upon to fight. Again, there should be some compensation for a poor yield of crops in an enhancement of prices according to the inflexible law of supply and demand. But here also the system of "futures" interferes by making prices depend upon the financial exigencies of the speculators rather than upon the actual output of grain. If the speculations in "options" or "futures" were limited to the amount of the actual produce in the particular article dealt with, the tremendous depreciation of prices would probably not have resulted. Instead of being so limited, the crops dealt with are to a large extent imaginary. These always represent four times the quantity of the actual crop, and may represent an indefinite—an illimitable quantity. To quote Mr. Smith:—"For example—first the actual crop would be forestalled by the sale of a 'future' to a speculator; secondly, there would be the resale of this 'future'; thirdly, there would be the unlimited crop sold by bears; fourthly, there would be the actual crop itself sold to the consumer." It may be asked, should not the certainty which the producer has of getting rid of his crops under the "futre" system tend to raise, rather than depress prices? To this question Mr. Smith gives an elaborate and, to our mind, a satisfactory answer. We must refer our readers to the work itself for a complete explanation, and can only pick out what seem to be its leading points. If the "futures" dealt with refund only to the amount of the actual produce, all might be well. But, as a matter of fact, there may be a "paper" produce a dozen times as large as the yield of the farmers' fields. At a later period, owing to the scheme of settlement which regulates day by day and week by week the mutual adjustment of the speculator's accounts, there is a compulsory rush for the re-selling of these paper contracts. "It is the value of these gambling contracts," as Mr. Smith observes, "that regulates the value of the actual stocks." The author is of opinion—and he gives good reason for the belief that is in him—that "seventy-five per cent. of the fall in most articles have been due to the option, future, and settlement systems, and as all markets act and re-act upon one another, all values have suffered, as all trades and industries are dependent one upon another, and the fall in one article of produce naturally affects the value of another." The Americans, who have been great sufferers from the system of gambling Mr. Smith so vigorously denounces, are pushing through their Legislature an Anti-Option Bill from which the best results are anticipated by farmers and others. Mr. Smith is doing his best to urge forward, on behalf of their fellow-sufferers in this country, an Anti-Future Bill, believing that if such a Bill became law, "every man, woman, and child would feel the benefit of it." We heartily commend this useful, suggestive, and in a true sense highly patriotic work to the earnest attention of the leaders of thought in the agricultural, commercial, and financial worlds. We may add that the work is characterised by the same lucidity of thought and expression as were found in the author's previous work, entitled, 'Theories upon, and Remedies for, Depression in Trade and Silver,' to which the present volume forms in some respects a sequel upon more expanded lines.

National Agricultural Union Cable, September 2nd, 1893.

GAMBLING IN WHEAT.

There are still, we believe, a few simple people left who take what I may call the Arcadian view of farming. According to them, the farmer has nothing to do but to grow his produce, harvest it, and carry it to the nearest market, which he will find thronged with honest buyers, each anxious to give him every penny it is worth. In the view of these estimable persons the price of wheat, let us say, depends on purely natural causes. Is the world's crop a short one? Then the demand will overtake the supply, and the farmer will reap the benefit of the

consequent rise in price. Is it above an average? Then, inasmuch as the visible supply will exceed the demand, the farmer must take what price he can get, and console himself with the beautiful reflection that his loss is the consumers' gain. That being so, what good end would be served by any combination on his part with other growers, with a view of controlling a rise and fall so obviously due to causes which he cannot hope to influence.

We wonder if it would surprise these amiable theorists to learn, on the high authority of a gentleman on whom thirty years' experience of commercial life, and fifteen of the inner working of the system which he exposes, have conferred an exceptional right to be heard, that natural causes have little at any time, and often nothing whatever to do with the price the producer receives for the article he grows? The writer to whom we refer is Mr. Charles W. Smith, of Liverpool, and the little book which embodies his revelations is called 'Commercial Gambling: the Principal Cause of Depression in Agriculture and Trade.' The work itself has no great pretensions to literary merit, and the author's meaning is often obscured by the use of technical terms; but if a tithe of the statements made are true—and many of them it seems are not in dispute—it is undeniable that Mr. Smith is entitled to the hearty thanks of producers, both here and elsewhere, for the timely exposure he has made; nay more, that if the clue he has given be resolutely followed up, a very strong case may, perhaps, be made out for preventive legislation.

We will endeavour to place before our readers, in a few simple words, the pith of Mr. Smith's contention. He tells us of the gradual growth of a system which is neither more nor less than gambling in produce, and which has almost entirely taken the place of the old *bonâ-fide* sales confined to actual produce only. He explains that millions of quarters of wheat are bought and sold which have no existence at all, except on paper. They are dealt in many months in advance on pure speculation, for a rise or fall in price; and the buyer and seller, who neither have nor ever expect to have any actual produce delivered to them, vie with each other in the despicable ingenuity with which they seek to "rig the market" for their own ends. If it be true that as much as four times the actual crop of the world is thus dealt in, no wonder natural causes affect the price but little. While the unsuspecting farmer believes that he is getting an honest price if a low one, he is really the sport and the victim of an odious and never-ending series of gambling transactions. One day it is a German Jew from America, whose attempt to make a corner has failed, and produced a reaction. The next it is a couple of clerks who have started a syndicate with a similar object and failed, thus causing a general panic and fall in prices, and who afterwards turn out to have robbed their employers for the purpose, to the tune of £180,000.

In short, if we may believe Mr. Smith, however hard it may be upon us, it is literally true, that speculators and gamblers—that most predatory class of light-fingered gentry, whose object is to acquire other people's money without the trouble of earning it, nay, gamesters too abandoned for the racecourse, speculators who have not the effrontery to show themselves on 'Change, every clerk whose fingers are itching for the contents of his master's till, every money-lender whom cent. per cent. cannot satiate, each and all have taken service with the middleman of this generation, in order to filch from the poor producer his last means of subsistence, while they batten, like horrid vampires, on our national trade, and suck the very life-blood out of the veins of our native industries.

Nor does Mr. Smith content himself with bare assertions. He claims to have proved (1) That the system of options and future contracts was adopted in America just when the present depression began, about 1876. (2) That as the system grew in America and spread to England, the depression increased. (3) That the system has now become almost universal, while the depression has culminated and become general all over the world. (4) That fifteen years of this system has reduced land which grows produce to a state of panic, dangerous, not only to trade, but to the well-being of the nation itself. (5) That oats and barley, to which this system does not apply, have not suffered in value equally with wheat, the relative falls in these articles since 1872 having been:—Wheat, 63 per cent.; barley, 34 per cent.; and oats 24 per cent.

That Mr. Smith does not stand alone in his estimate of the ruinous effect of this system upon producers may be gathered from the fact that a Bill has been introduced into Congress by Mr. Rusk, the late Secretary of Agriculture, with the hearty approval of the American farmers, and that it has already been passed by the Senate. The indictment is indeed a heavy one, and if it can be made good, England, with its penal enactments against betting and gambling, is the very last country in which so peculiarly obnoxious a form of gambling ought to take place under the protection of the law.

WINCHILSEA.

Mark Lane Express, September 11th, 1893.

'COMMERCIAL GAMBLING.'

Nearly six months ago we noticed the appearance of a small book by Mr. C. W. Smith, which claimed to set out some original theories upon, and remedies for, the depression in trade, land, agriculture, and silver. One of the causes mentioned in that book was what is known as the "future" system of dealing in wheat, a method of business which brings about all kinds of trade demoralisation, and more or less false sales, always to the disadvantage of the producer. This book created somewhat more interest than even its author expected, and, in consequence, he was led to bring out another. 'Commercial Gambling' is an excellent description of the methods practised by a large body of so-called corn-dealers. Hundred of thousands of quarters of wheat are sold and bought, and profits or losses made upon the transactions by men who have no intention of receiving wheat, when it is ostensibly bought, or, on the other hand, sold by men who really have no wheat to dispose of. Further, the quantity of wheat that is sold in this way is probably larger than the yield of the whole world. Mr. Smith sets out his contention of the injurious effects of this commercial gambling in plain and forcible language, and we are glad that he has taken up this question, and brought it to the front. For doing this he is entitled to the thanks of all wheat producers, and, as we have before remarked in these columns on this question, we should be glad to see it fully inquired into by the new Royal Commission of Agriculture; and, if it should be found, as we have no doubt it will be, that the state of affairs is quite as rotten as Mr. Smith shows in his book, we hope the Government will take care that legislation shall put an end to a system of gambling of the worst description. The United States Legislature, in consequence of its people having suffered to a very large extent from a similar cause, has taken the matter in hand, and we trust our own Government will not be behindhand in adopting some measures of a like necessary character, not only for ridding the commercial world of a great pest, but also of doing a little something which may be expected to result in benefit to agriculturists. In welcoming this book, we think we cannot do better than to quote the following summary of facts, which practically closes the volume under notice:—

"1. That the option and future contracts were adopted in America at about the time of the origin of the present depression—say from 1875 to 1876.

"2. That as the option and future contracts became more popular in America and England the depression increased—say from 1876 to 1882.

"3. That as the option and future contracts, combined with the registered settlement system, became common both in America and England, and the moving and importing of all the important crops of the world became usual on this basis, year after year the depression has increased, say from 1882 to 1888.

"4. Since 1888 the depression has intensified, and has culminated in 1892 and 1893 in universal depression all over the world. Why? Because the systems have become almost universal.

"5. That the various markets for produce where these systems were first adopted have been the first to feel the effects of them; and that the industries directly affected thereby gradually fell into the same state of depression.

"6. That the various markets and industries specially dwelt upon, which are the leading ones of the world, have all been hampered and ruined in many years by corners, manipulations, and syndicates, and have in consequence suffered from this cause, and such operations are solely traceable to the option, future, and settlement systems.

"7. That the values of all such commodities having been fictitiously raised by such artificial means, have eventually fallen to a much lower basis than they would have done under the power of the settlement system, had the artificial rise not taken place.

"8. That the wholesale markets where speculation and gambling have been most notorious on the basis of the option, future, and settlement systems have been most depressed and panic-stricken.

"9. That the several trades and industries act and re-act one upon another; hence all have suffered under this option, future, and settlement system.

"10. That after fifteen years' experience of the option, future, and settlement systems in America and England, the land which grows the produce has at last been reduced to a state of panic, threatening not only the prosperity of each trade, but also that of the nation itself.

"11. That the values of those imported products which are not based on options, futures, and settlements have not been subjected to such depression, or suffered as much from panics as those affected by such systems, although, of course, the values of all such commodities have suffered from the effects of the depression in other articles with which they are more or less associated. The same remark applies to the various industries connected with such products.

"12. That supply and demand, of late years, have not been the means, as of old, of regulating the values, but that prices have been regulated by option and future contracts, which are only gambling contracts; hence the value of the speculative paper contracts by the markets of America and England have absolutely been the regulating medium of the value of the produce grown by the farmer, and eventually have regulated the value of the land that produces the same.

"13. That the value of certain agricultural produce, such as oats, barley, hops, &c., have not suffered in value to the extent of wheat and maize. Why? Because the crops of these articles are not moved to this country on the basis of the future, option, and settlement systems, there being no gambling institutions in this country for such articles. The same remarks apply to other agricultural produce, but, of course, the values of all have suffered in sympathy with the fall in wheat and maize. The following are the values since 1872, and the figures speak for themselves, and show the depreciation in the values of barley and oats in comparison with that of wheat since that year:—

	Wheat	Barley	Oats.
	s. d.	s. d.	s. d.
1872 . . .	57 0	37 5	23 2
1882 . . .	45 1 = 21 p.c.	31 2 = 17 p.c.	21 10 = 6 p.c.
1892 . . .	30 3 = 33 p.c.	26 2 = 16 p.c.	19 10 = 9 p.c.
Total fall since			
1872 . . .	47 p.c.	30 p.c.	14 p.c.

"The depreciation in the value of wheat since 1892 has been even more marked in comparison with that of barley or oats; for, as explained before, it is due almost solely to the increased quantities of futures sold by importers and other traders, as well as to the impoverished financial position of the settlement-house, caused by the great increase in gambling operations which has taken place in the former article in later years, and the gigantic losses attached to them.

	Wheat.	Barley.	Oats.
	s. d.	s. d.	s. d.
Part of 1893 . .	25 5	25 1.	18 0
Fall since 1892 .	16 p.c.	4 p.c.	10 p.c.

"I may mention that foreign barley and oats are imported principally on cost, freight, and insurance, and other terms, which are the old and legitimate basis for moving crops. Also, that there are no options in barley in America; while, as regards oats, they are sometimes dealt in, but very rarely.

"14. That the option, future, and settlement systems have invariably depressed the values of all commodities, independently of the size of crops.

"15. That the option, future, and settlement systems have been the means of forcing producers to combine and make a counter artificial move by limiting production, in order to try and raise the values of their produce."

The Journal of the British Economic Association (September Number).

THE AGRICULTURAL PROBLEM. [*Extract.*] By MR. W. E. BEAR.

Although the prices of agricultural produce in this country have been greatly reduced by legitimate foreign competition, the depression has been intensified by unfair competition, and by what may be regarded as illegitimate trade practices. Hitherto very little attention has been paid in this country to a system of commercial gambling which has become common in the United States, and has obtained a considerable footing amongst ourselves. This subject is one of great intricacy, and cannot be dealt with adequately in a mere section of an article. I have treated it at length in an article on "Gambling in Farm Produce" in the June number of the Royal Agricultural Society's Journal, and the subject is enlarged upon at still greater length in a book entitled 'Commercial Gambling' (Sampson Low & Co.), by Mr. C. W. Smith, for many years a produce broker at Liverpool. The system referred to applies to wheat, maize, oats, cotton, sugar, pork, bacon, lard, tea, coffee, silk, silver, and petroleum. As far as farm produce is concerned, the most important features of the system may be briefly described as the forestalling of the crops by selling them before they are grown, the sale for future delivery of goods which the sellers do not possess, and do not intend to deliver, an enormous amount of reselling, without the transfer of the commodities, rampant speculation, a method of hedging, conducted after the professional betting man's plan of book-making, and the establishment of clearing-houses in which a daily or weekly settlement of sums due on variations in prices is effected. This is known as the system of trading in "options" or "futures." It has come into general use in America during the last twenty years, and for the last ten years at least it

has completely controlled the market prices in that country, and more or less completely throughout the world, of those articles which are embraced by it. During the last five years the system has become common in Liverpool, and has made some progress in London. The American farmers, almost to a man, denounce it as injurious in the highest degree to their interests, and two Anti-Option Bills have been introduced in the American Legislature to put an end to it, one of which passed the Senate last Session, and would probably have passed the House of Representatives if it had not arrived too late. In all probability it will be reintroduced this year, and, if it should be passed, will put an end to the objectionable system as far as America is concerned. An "option" is defined as an agreement whereby one party secures the option of selling to or buying from another party a given quantity of a certain commodity, at a future date or within a future period, at a fixed price; while a "future" is an agreement whereby one party agrees to sell and deliver to or buy and receive from another party a given quantity of a certain commodity, at a future date or within a future period, at a fixed price. In effect there is no difference between the two forms of contract as far as business in the recognised exchanges is concerned, the only option recognised being that of the day in a fixed month at which settlement is to take place. Delivery, according to the rules of the American Exchanges, must be contemplated in every contract; but, as a matter of fact, this is a mere subterfuge, as it is well known that delivery does not take place in the vast majority of cases—Mr. Smith says not in 95 per cent. of the transactions. The settlement is merely one of difference in prices as a general rule. If the price has gone up beyond the fixed amount the seller has to pay the difference to the buyer, and if it has fallen he receives the difference from the buyer; but the differences are not allowed to accumulate until the maturity of the contracts, being paid in one way or another in accordance with fluctuations in prices from day to day, or from week to week, until the final settlement takes place. Mr. C. Wood Davis, an extensive farmer in Kansas and a capable statistician, declares that in 999 out of every 1000 transactions under the option system the seller neither owns nor expects to own the grain he contracts to deliver, and the buyer does not expect to receive the grain he has contracted to receive and pay for, the tacit understanding being that the difference between the contract price and the current price at maturity should be settled between them. He also declares that during nine-tenths of the time there are more option dealers interested in depressing prices than in advancing them, so that the influence of this speculative body is almost constantly exerted in attempting to run prices down. That this statement is true there is overwhelming evidence to prove, and the fact is a very serious one, as the market quotations for some of the most important articles of farm produce are entirely regulated by the option system of trading. That this should be the case is all the more intolerable when it is borne in mind that only a small proportion of the grain crops, at any rate, are disposed of under the option or future system. Mr. Davis quotes from the Chicago Board of Trade, showing that during five years ending with 1888, 11,040,000,000 bushels of wheat and maize were grown, of which only 1,077,000,000 or 9·8 per cent. reached the interior Board of Trade markets, much of it being counted twice, as grain is sent from one market to another, while that which is sent to seaboard markets had already been counted once or twice at interior points. Mr. Steevens, the editor of *Bradstreet's*, in an article in defence of the option system, states in effect that the sales of futures are nine times the total crop. As, according to the official statistics quoted by Mr. Davis, less than a tenth of the total crop is passed through the markets in which futures are sold, if Mr. Steevens is right, it follows that the sales of futures in a year are about ninety times the amount of grain actually disposed of in those markets. This affords an indication of the extent to which what the Americans call "wind selling" prevails in the United States. In Liverpool and London, according to the evidence of those best able to give information, the business done in futures is almost entirely one of gambling in prices.

The defenders of the system declare that, as it multiplies the number of persons willing to buy the farmer's produce, it must benefit him; but this contention, to say the least, is neutralised by the fact that the system puts an enormous amount of fictitious grain on the markets, thus creating a nominal glut which must tend to reduce prices. It is further contended by those who operate under the system, that it is necessary in order to carry over the great quantity of wheat disposed of by farmers in the autumn, which is not needed until the following spring or summer; but the weakness of this statement is exposed when it is shown that only a very small proportion of the American wheat crop is dealt with under the option system, although the prices of the whole of it are regulated by the prices of that small proportion. No wheat which does not grade up to No. 2, it may be explained, is sold under the option system.

The most plausible argument is one declaring that in the long run the option system makes no difference to prices, or that if it tends to depress them in periods of plenty it also tends to enhance them in a corresponding degree in seasons of scarcity. As in every contract, it has been said, there must be one person interested in a rise of price and one interested in a fall, as far as that particular contract is concerned, in the whole mass of contracts there

must be as many persons interested on one side as on the other, so that the influences of the two sets of men upon prices, so far as they are able to affect them, must neutralise each other in the long run. The fallacy of this argument lies in the fact that the number of persons who are endeavouring to influence the market for a rise on the one hand or a fall on the other are not equal. The "bears" are nearly all of them men constantly engaged in the option business, whereas a great number of the men who rank on the "bull" side, notwithstanding that they are buyers to whose interest it is for prices to rise after they have bought, are not ordinary operators in the option markets at all. Most of the millers who purchase wheat for manufacture, and merchants who import it for distribution, are not men who make a business of manipulating the markets. Moreover, many of these men who are ranked among the "bulls" become "bears" after they have "hedged" against their purchases for future delivery by sales of futures. Importers who buy extensively for delivery months ahead at a fixed price, hedge in order to secure themselves against the loss which they would incur in the event of a great fall in price, and this they do by selling futures, so that if the price falls they will get a profit on their sales to cover the loss on their purchases. Having bought largely, they are frequently compelled to sell futures promptly at any price they can get, and thus they are known to be the weakest of sellers and men who help to depress the markets. To say the least, it is perfectly clear that in a comparison of the old and new systems of trading the latter is a disadvantage to producers, for under the old system everyone who bought farm produce to resell for manufacture desired a rise, whereas under the new system a very large number of the dealers are anxious for a fall. Therefore, so far as men have power to influence market prices, it is actually demonstrable that the option system, as compared with the old method of trading, must have a deteriorating effect upon prices. No doubt supply and demend are the main features in determining prices, but it is equally certain that operators in markets, by their tricks, their false reports, and by the general sense of insecurity which they cause, have a great influence upon market quotations. Moreover, the gambling system of trading has introduced into the markets great numbers of reckless and comparatively impecunious men, who are ruined by a serious turn of ill-fortune, greatly to the loss of men who really have much to lose. The occasional panics and frequent financial difficulties incidental to the gambling system keep up a constant sense of insecurity, and drive capitalists out of the trade. On the whole, I have not the slightest doubt that the system of gambling in farm produce has had a great effect in intensifying the depression of the last twelve or fifteen years.

Agricultural Gazette, July 3rd.

Mr. C. W. Smith has greatly improved upon the first book which he wrote to denounce the system of gambling in produce of various kinds in the work just published by Sampson, Low, Marston & Co., under the title 'Commercial Gambling: the Principal Cause of Depression in Agriculture and Trade.' As explained in a notice of his first book, Mr. Smith was for many years engaged as a broker at Liverpool in "option" or "future" trading, the system which he now denounces as a great evil. Therefore, he knows "every rope in the ship," and he describes the various devices and the trickery which are carried on extensively in America and Liverpool, and to a less extent in London, in connection with grain and certain other staples of commerce. All agricultural leaders should carefully read his book, and see for themselves whether he proves his case when he contends that agricultural depression has been in great measure produced by the gambling system of trading. He points out that the quotations of prices of grain in American markets are all connected with the "future" system, and that they are manipulated by gamblers by means of trickery, often of a very unscrupulous kind; that old-fashioned traders are driven out of the markets by the new system; that, instead of men of capital, the majority of the speculators are "men of straw"; and that, in consequence, failures are frequent, and panics often occur, causing a constant feeling of insecurity which tells against prices. He also gives evidence to show that the tendency of the system is to reduce prices, because the great majority of the dealers are usually interested in a falling market. If half that Mr. Smith says is true, we may wish success to the American Anti-Option Bill, and possibly think of something of the kind for our own country.

Mark Lane Express, July 17th.

BLOODSUCKERS.

Among the many causes which have contributed to the present depression in agriculture there is one which has hitherto received but scant notice, and yet it is one which is perhaps responsible for more injury to the farmer than most people are aware of. We refer to the

speculative middleman. He is the curse of agriculture, as well as of any other industry to which he turns his attention. He no sooner commences to operate with anything than he blights it; and it may safely be said that he has done as much to reduce prices as any other cause.

We do not refer to the legitimate middleman—the trader who acts as a collector and distributor of produce—for within reason he is as necessary to the well-being of the farmer as is the seedsman or the maker of agricultural implements. If every farmer had to seek out the miller to whom his wheat was to go, or the horse-keeper who requires his oats, he would soon find that the slightly increased price which he obtained would not by any means compensate him for the time he would have to spend away from his farm and the expenses to which he would be put. It is, therefore, useful to have a man who makes it his business to collect the crops, remove them to the places where they are required, and then sell them. As a rule, such a man fully deserves the comparatively small profit which he makes, and both he and his customers profit by the system adopted. That is, of course, assuming that such a dealer is content with a reasonable profit, and that he acts fairly with those with whom he deals—and as a rule he is wise enough to see that it is to his own interest to do so. There is, however, another kind of middleman who is anything but a blessing to agriculture. He is the speculative dealer: the man who buys to sell again, or who sells to buy again, never accepting or delivering—or, for that matter, never intending to accept or deliver—the article in which he deals. Let us just glance at the system.

Every day in this country of ours there are hundreds of bargains made in wheat which are nothing more or less than gambling transactions. Wheat is bought nominally for delivery at some future date, but really in the hope that it will before the time arrives go up in price, and result in a "difference" being paid into the hands of the purchaser. On the other hand, the seller anticipates a fall in the price, and also hopes for a balance in his favour. In neither case is there the slightest intention of a single quarter or bushel of grain actually changing hands. This is exactly the same style and system of gambling which prevails upon the Stock Exchange, for the only difference is that the wager refers to the price of wheat instead of the price of shares. Twenty years ago this system was utterly unknown, but now it has reached such proportions that there is more than one Clearing-house established for the purpose of settling these bargains and striking balances between the various gamblers. All this is bound to have an injurious effect upon the price of wheat, and as a fact it continually tends to the lowering of the market price, and it tends to establish an artificial price, which has nothing whatever to do with the law of supply and demand. To prove this contention it is not only necessary to point to the fact that the annual increase of the wheat crop of the world does not keep pace with the annual increase of the population. There is no need to go into figures, for anyone who is familiar with the subject will know that the statement is absolutely accurate. The natural result of this state of affairs would be to enhance the price of wheat, for the supply would be proportionately smaller and the demand steadily increasing. The effect, however, has been otherwise, and for some years now wheat has been decreasing in value. Some explanation of this decrease must be found, and so far as we can see, the only one is the reason we have stated. We are inclined to the belief that a careful investigation of the subject would show that the direct tendency of this gambling in food products must be to lower prices. We are aware, however, that there are people who will dispute this view of the case, and therefore for the moment we will confine ourselves to the statement that it produces an artificial and unnatural market price. This in itself is sufficient to injure the farmer, and so long as the price which he receives depends upon the mood of the gambler, it is hardly reasonable to expect that he can have fair play. Some time ago there was an attempt made in Liverpool to rig the cotton market, and the result was that at least half a million of money was lost in three days. The effect of this upon the price of cotton must naturally have been ruinous to many farmers, for, unfortunately, there are too many nowadays who cannot choose their market, but who are bound to sell at a particular time for the purpose of meeting their liabilities for rent, labour, and other pressing matters. It needs no argument to show that the loss of half a million over a deal must affect the general market. This instance is by no means solitary, although perhaps it is larger than most others. The evil about which we are speaking has been felt most seriously in the United States, and we some time ago saw the formation of a powerful party whose chief object was to promote a measure for the prevention of gambling in feeding stuffs. A Bill entitled the Anti-Option Bill was prepared by the late Secretary of Agriculture, and brought into both Houses of the American Legislature. It has already passed the Senate, and seems likely to pass the House of Representatives. It is a special measure, and should it become law the effect will be to at once prevent gambling in crops, and it is believed to materially assist the farmer by allowing the natural laws of supply and demand to operate, and by preventing the artificial values and serious fluctuations which must follow upon gambling transactions. The evil is probably greater in the United States than here, but none the less it has got to be a serious matter in this country. We shall probably have more to say upon this important

subject, but for the present we content ourselves with calling attention to it, in the hope that it will receive consideration in other quarters, and that if it is thought advisable the subject may be thrashed out before the new commission, which is to investigate the present state of agriculture.

The Scottish Farmer, July 15th.

This is a red-covered book with gilt lettering, written by a gentleman who has obviously enjoyed very favourable opportunities for studying the inside trickery of what is by the average outsider regarded as the very highest forms of trading. It will not take high rank as literature, but among books that are useful it occupies a prominent place. The preface consists of two sentences, the first of which reads thus:—"The book which I had the pleasure of bringing before the public recently, entitled 'Original Theories upon, and Remedies for, Depression in Trade, Land, Agriculture, and Silver,' having excited a far greater interest amongst all classes than I had ever even hoped for, I am in consequence carrying out my promise made in the preface thereof, by enlarging and dwelling upon the principal subject I therein propounded, so as to explain the gradual ruin that has been brought about by gambling, not only in options of wheat and corn, but also in those of other produce, as well as seriously affecting the value of the land that grows these commodities." It was from this armoury that Mr. Bear drew the facts to which we referred last week in reviewing the current issue of the Journal of the Royal Agricultural Society of England, and among other items of information, for which the author merits the best thanks of the agricultural community, his definition of the aim and object of the Farmers' Alliance of America is not the least. This organisation, if it has not yet succeeded in winning an election, has undoubtedly achieved the distinction of spoiling the election of either of the two great political parties which may oppose its designs. To it the people are mainly indebted for the introduction of the Anti-Option Bill of Mr. Rusk into Congress. The first thing to which the alliance set its hand was to bring before the U.S. legislators the fact that the prices of farm produce were no longer regulated, as of old, by supply and demand, but by the values as quoted in the various produce gambling institutions which had sprung up in recent years in commercial centres. The result of this was that the produce of the land was gambled away before it ever came to market, and the producer was at the mercy of the gambler. This Bill, it is to be hoped, may become law, as its operation, as far as can be judged, will be wholly favourable to the growers of wheat and other cereals. Mr. Smith argues that the result of dealing in options and futures with reference to food stuffs has year by year been to artificially depress values. The wheat crop of the United Kingdom in 1892 was 7,588,527 qr., as against an average of 9,400,000 qr. for the preceding five years, showing a marked decrease. The imports of Indian wheat in 1892 were 2,915,603 qr., whereas, in 1891, they were 3,034,683 qr., also a decrease; and the imports of Russian wheat in the same years also showed a decrease, the relative figures being an average of 4,470,000 qr. for the years from 1888 to 1891, as against only 1,918,030 qr. for 1892. The point made by Mr. Smith in adducing these figures is that there is no warrant in the actual conditions of the food crop of the world for the tremendous fall that has taken place in the value of wheat since 1891, amounting to not less than 35 per cent. To the fact that the wheat-area of the world has been decreasing in these years must be added the other fact that the population has been increasing, and therefore, according to all economic laws, there ought to be an increase in the value of wheat, and not, as there is, a decrease. There were more people wanting bread in 1892 than there were in 1891, and there was less bread to give them, therefore it should have followed that wheat would have been higher in price in 1892 than in 1891, but as a matter of fact, it was lower. To what was this due? Mr. Smith says, to the gambling that goes on in the options, futures, &c., before the crop has any real existence. Four crops are made out of one. (1) The actual crop; (2) the artificial crop in the shape of options; (3) the re-selling of these options on behalf of the speculators; and (4) the unlimited and artificial crop created by the bears and other illegitimate operators. And all these options—these transactions in what has no existence—are under the management of the Clearing-house based on a daily cash settlement. Limits of space do not admit of a fuller description of the contents of this little book.

The Land Agents' Record, July 1st.

Not long ago we noticed a little book, 'Original Theories upon, and Remedies for, Depression in Trade, Land, Agriculture and Silver,' by Mr. C. W. Smith; and we had occasion to observe that the denunciation of the system of "wind-selling," otherwise known as the "option" or "future" system, the main object of the work, was stronger than the arguments against it. We are glad, therefore, to see that the author has sent out, through Sampson Low, Marston, and Co., a new book, with the same object in view, which is very much more telling than the first. This is entitled 'Commercial Gambling, the Principal Cause of Depression in Agriculture and Trade.'

Mr. Smith (who knows all the "tricks and the manners" of the system of gambling in the prices of commodities from years of experience in it, and particularly in those of wheat, cotton, and sugar) gives very strong evidence to prove that it is one of the causes of depression, whether it be the chief cause or not. There are so many causes of depression that it is not easy to place them in order, and we are not at all disposed to admit that one cause is mainly accountable for the depression in nearly all kinds of products. It happens, however, that the commodities subject to the "future" system are those which have fallen in price beyond almost all others, and most readers of the book under notice, we believe, will be disposed to conclude that this is not a mere coincidence. The system which Mr. Smith explains is so intricate that it cannot be summarised in a paragraph, and we must be content to recommend agriculturists to read the book, which is sold at a popular price.

The North British Agriculturist, September 13th.

This is a very ably-written *brochure* from the pen of a gentleman who has had a vast experience in the commercial world, and who is well known in Liverpool as the editor of Whitaker, Whitehead, & Co.'s *Weekly Trade, Finance and Cotton Circular*. The author gives a lucid account of how the "bulls" and "bears" of the Stock Exchange operate in the buying and selling of "options" and "futures," and he has no difficulty in showing that the markets for any kind of produce are often greatly demoralised through the operations of these "bulls" and "bears." Mr. Smith has undoubtedly a great grasp of his subject, and the book will repay the most careful study. As showing the evils on which Mr. Smith insists, we quote the following:—

"A broker held about two million pounds' worth of produce in the shape of future contracts—not a pennyworth of which did he ever intend to demand delivery of actual produce against. This enormous gambling transaction was known to all, for all recognised, sooner or later, that the same quantity had to be re-sold; and further, that if the market did fall somewhat, it would be impossible for this broker to find margins to pay into the Clearing-house. Hence danger and ruin ahead to many connected with the Clearing-house.

"The market did fall, re-selling commenced, and the smash came. Well, under the rules, this colossal mass of future contracts had to be sold at the best possible price on the day of failure, which meant absolute panic and ruin to many, besides an unwarrantable shrinkage in the value of actual stocks of that produce all over the world. What did this broker's creditors do to avert this panic, and save their own financial necks? Why, they imitated the Bank of England's action of 1890 after the Baring collapse, and formed a strong syndicate, and thus, as it were, fathered upon themselves (but, I may add, with no outside guarantee) all the said unsold contracts, and gradually, week by week, liquidated the said holdings; but, by doing so, held the market in check for weeks from a natural advance, which would have happened had this bankrupt stock of futures been out of the way, and the market been regulated by supply and demand."

But granting that the market is often demoralised by such illegitimate trading as that noted in the above quotation, it is clear enough that prices could not be permanently low unless the supply was in excess of the demand, as otherwise the "bulls" would have an occasional innings as well as the "bears." But whatever may be the opinion on this point, there can be but one opinion as to the ability with which Mr. Smith has marshalled his facts and stated his case as to the vast amount of mischief which is wrought by illegitimate trading in "options" and "futures."

National Agricultural Union Cable, July 22nd, 1893.

For some time past many people have been disposed to believe—in a somewhat vague way perhaps—that the continued depression in the price of agricultural produce, and especially of wheat, has a cause, or causes, other than those which appear on the surface. The conviction is slowly gaining ground that all the generally accepted explanations are inadequate. Bad seasons, over-production, reduced ocean freights, no doubt served for a time to supply plausible reasons for the constant lowering of prices, but they are not sufficient, and the distressed farmer may well be pardoned if he jumps to the conclusion that some mysterious influence is at work which year by year tends to drag down his industry.

No doubt there are many acute observers who believe that there is such a "mysterious influence," and that it is to be found in the steady appreciation of gold. But without attempting to discuss the theories of bimetallism, it may be of interest to draw attention to another explanation which is put forward with much vigour and earnestness by Mr. C. W. Smith, of Whitney Court, Herefordshire. Mr. Smith has had over thirty years' practical experience of commercial life in Liverpool, and, as the editor of 'Whitaker, Whitehead and Co.'s *Weekly Trade, Finance and Cotton Circular*,' may be regarded as a high authority. He asserts roundly that the system which has sprung up, especially within the past ten years, in

America and England, of dealing in various kinds of produce by means of what are known as "Options and Futures" is the principal cause of depression in trade and agriculture.

The intricacies of the system by which merchants deal over and over again in enormous quantities of commodities which they never actually possess, are no doubt a mystery to the vast majority of people. But Mr. Smith knows every move on the board, and being convinced that the whole system is opposed to the interests of the community at large, he comes forward with a courage and magnanimity which cannot be too highly appreciated to expose what is simply gambling in food supplies. He shows very clearly that the vicious system under which grain is now sold several times over for future delivery, tends by creating an artificial supply to continually depress prices. As he says, the corn markets all over the world are governed almost entirely by the speculative markets in America. It would take too long to follow the argument by which it is shown that though there may be fluctuations, this gambling in the long run steadily and inevitably tends to lower prices. The case of the formation of a "corner" may be mentioned as being easily stated and understood.

"You will never"—says Mr. Smith—"find a corner commenced in any article of produce so long as the produce is held by farmers and the producers. The weight of stuff coming in from the land, combined with the selling of options and futures, is too heavy for such manipulation. It is after the bulk of the produce has left the farmer's hands that such manipulation commences. In this way the farmer loses the benefit of the artificial rise, and has parted with his produce at the lowest point of the year." Supposing, therefore, that the "corner" is successful, the price is temporarily forced up without any advantage to the producer, and the reaction, of course, falls upon him when his next crop comes on the market. On the other hand, if the "corner" fails, as it frequently does, the effect on prices is even worse, and in both cases depression is bound to follow.

This pernicious system has reached greater lengths in America than it has yet done here, and the farmers there have combined, and have pressed upon their legislators the fact that prices are no longer regulated by legitimate supply and demand, but by values as quoted in the various produce gambling institutions, so that their crops are at the mercy of the operators, who forestall and gamble in them. A Bill has been introduced into Congress which would practically prohibit options and futures, and there is every reason to believe that it will pass this year. It would be well if a similar Bill were introduced into Parliament, for there is no doubt that the prohibition of these transactions in the United States may tend to transfer the gambling centre to this side of the Atlantic. As a first step the suggestion already made by Mr. W. E. Bear—viz., that a Select Committee should be appointed to enquire into the whole subject—may be very cordially endorsed. Failing this, and it must be admitted that there is little hope of such action in the present session, it would be highly desirable that evidence should be submitted to the Royal Commission on Agriculture now just about to sit.

Agricultural Economist, August 1st, 1893.

This book is certainly worthy of perusal by all in business, whether as agriculturists or traders, as it treats in a very lucid manner on the gambling system of trade invented in the United States and copied in this country, which really puts values of commodities at quite artificial values according to the rigging of markets, uninfluenced by cost of production or the operations of supply and demand. We confess to have learnt many substantial details from Mr. Smith's book, and having for years past studied the question of commercial gambling in connection with "Farming *v.* The Middlemen," we can endorse the author's opinions throughout, and to second his "remedy," which is to make it illegal for a man to sell what he has not got. We are sorry the price is so high (3*s.* 6*d.*), as the matter can only be remedied by legislation, which in these days is regulated by the masses; but we recommend the work to all.

To the Editor of the Agricultural Economist.

SIR,—It is with much pleasure I have read your short review on my book, entitled 'Commercial Gambling,' and it affords me great satisfaction to see you share the views I propound, together with those of the other leading agriculturist papers on the question of gambling in food products, to the immense detriment of the farmer and producer. I trust you will not let the subject drop in your valuable journal, but join me in continuing to expose the ruin brought about by the systems I propounded, which, if thoroughly understood by our leading men, would, I feel sure, be taken up, and thus enable those at present ignorant in the subject to see for themselves that the simple remedy I propose would, if carried out, have an instant effect on the values of wheat and other commodities. I further note your remarks about the price of my book. My intention is, later on, to issue a cheap edition in the shape of a pamphlet, so as to reach our farmers and others interested in land and agriculture, for my object in writing the two books was not to make money, but simply to expose an evil, which I have believed for years was one of the original and principal causes of depression in agriculture.

August 5th, 1893. Yours, &c., CHARLES W. SMITH.

The Farming World, July 28th.

The author of this useful volume, which to the uninitiated in the phraseology of the Stock Exchange proves somewhat tough reading, endeavours to show that a gradual ruin is being brought about by gambling, not only in "options" of wheat and corn, but in other produce also, bringing about the destruction of the true value of land in this country. There can be little doubt that the mercurial value of foreign grain greatly affects our markets for home produce, and this sliding up and down at the will of the reckless speculator deserves little short of legislative interference. If we are to recognise any code of morals, and if we would desire equality and justice to the fair-minded, no one can be excused for using unfair means to give produce a fictitious value, and thus manipulate the products of the soil which are necessary for vital support. The author is very explicit, and candidness is one of his virtues.

Land Agents' Record, September 9th.

Reference has previously been made in the columns of the *Land Agents' Record* to the exposure of the system of gambling in corn, which has been made with so much energy and public spirit by Mr. C. W. Smith. The practice of speculating in food products is even more pernicious than gambling in stocks and shares. It is very difficult to bring subjects of this kind home to the mind of the public, but Mr. Smith in his work on 'Commercial Gambling,' has given a statement of the facts founded on a long experience of the system which he denounced. Mr. Smith has recently received a communication from the Director of the Farmers' Alliance of Germany, in which he observes that he has never seen such a good exposition of the system of gambling as is given in his book. He concludes by expressing the hope that the proposals against the Future and Option systems "may soon be recognised by the Imperial Parliament of Great Britain."

The Farmer, and Farmer and Stockbreeder, July 24th.

Mr. Charles W. Smith, the author of 'Original Theories upon, and Remedies for, Depression in Trade, Agriculture, and Silver,' has fulfilled his promise and issued a work entitled 'Commercial Gambling: the Principal Cause of Depression in Agriculture and Trade.' This latest work will be read with considerable interest, although for the average farmer it savours rather strongly of the Stock Exchange. However, the author sticks close to his subject and submits several useful statements and sound suggestions for the consideration of his readers. The arguments are forcibly set forth, and although somewhat high in price, the volume, being beautifully brought out, is worth procuring.

National Agricultural Union Cable, September 9th, 1893.

Mr. C. W. Smith, whose work on 'Commercial Gambling' was referred to by Lord Winchilsea in last week's *Cable*, has recently been in communication with the Farmers' Alliance in Germany. They are keenly alive to the injury which the agricultural interest suffers from the pernicious system of speculating in farm produce which Mr. Smith has set himself—with so much energy, and public spirit—to expose. Mr. Smith has just received a letter from the Director of the Farmers' Alliance at Berlin, in the course of which he says, "I have never seen such a good exposition of the system of gambling as you give in your book. Your indefatigable crusade against gambling of so many years, both as regards corn, cotton, &c., is sure to command the sympathy of all farmers here. The arguments contained in your book will form subjects for debate in our next conference, and will be freely quoted from. We shall take the liberty of availing ourselves of your kind offer and willingness to give us further information, and to support us with your interesting experience. Hoping that the proposals your book contains against the future system may soon be recognised by the Imperial Parliament of Great Britain." It is to be hoped that the farmers of this country will not be behind those of Germany in realising the significance of the system which Mr. Smith has so manfully and completely unveiled.

The Irish Textile Journal, August 15th, 1893.

The author, who has had thirty-one years' experience in the commercial world, deals with a subject which he holds is most seriously affecting the commercial and trading interests of the country at the present time, and to its influence the depression of late years, and the fall in price of the products of the soil, are largely traceable. In the preface he wishes the landlords, farmers, and working classes, as well as commercial men, "to realise the curses which the Option, Future, and Settlement systems have brought upon the world." The evil had its origin in America, but

within the past fifteen years it has crept into and has now firmly established itself in British commerce. In short, it is a total perversion of legitimate trading, by which one buys and takes delivery of what another has to sell. Under this spurious system no goods whatever pass, the dealings represented by paper contracts being settled from day to day, or week to week, by a clearing (or sponging) house arrangement, created to liquidate these transactions. Whatever produce is dealt in on the speculation of its price at a future date, when that date comes round, the margin or difference is only adjusted between the contracting parties; if the price has gone up or down, the margin is a profit or loss accordingly, but no goods representing the dealing are moved. The outcome of this gambling system is that the actual world's total of any crop dealt in becomes doubled or trebled or quadrupled on paper, so that the ordinary factors of supply and demand can no longer be depended upon for regulating the price of those commodities. It is necessary that the produce dealt in should be one of prime importance and quickly turned over. The author gives the following as the "List of Commodities worked under the Option and Future Systems, based on Settlement. *In America*—Provisions, wheat, maize, oats, coffee, lard, pork, petroleum, sugar, cotton. *In England*—Wheat, maize, sugar, cotton, coffee, tea, silver, silk. Besides these, warrants in England are used as a medium of gambling in iron, copper, and tin." He also states that there are large speculations carried on at home, but the orders are executed principally in America, as there are no organised institutions in this country for gambling in these commodities. A case in point, which occurred last year in Liverpool, will illustrate the nature of this spurious trading, and show what a disturbing influence it has on the actual *bonâ fide* market value of produce.

A broker held about £2,000,000 worth of produce in the shape of Future Contracts—not a pennyworth did he ever intend to demand delivery of actual produce against. This enormous gambling transaction was known to all, for all recognised, sooner or later, that the same quantity had to be re-sold, and, further, that if the market did fall somewhat, it would be impossible for this broker to find margins to pay into the Clearing-house. Hence danger and ruin ahead to many connected with the Clearing-house. The market did fall, re-selling commenced, and the smash came. Well, under the rules, this colossal mass of Future Contracts had to be sold at the best possible price on the day of failure, which meant absolute panic and ruin to many, besides an unwarrantable shrinkage in the value of actual stocks of that produce all over the world. What did this broker's creditors do to avert this panic and save their own financial necks? Why, they imitated the Bank of England's action in 1890 after the Baring collapse, and formed a strong syndicate, and thus, as it were, fathered upon themselves (but, I may add, with no outside guarantee) all the said unsold contracts, and gradually, week by week, liquidated the said holdings; but, by doing so, held the market in check for weeks from a natural advance which would have happened had this bankrupt stock of Futures been out of the way, and the market been regulated by supply and demand.

By this system, the author contends, "the value of actual and *bonâ fide* stocks of produce are reduced down to the panic value of the gambling paper or Future Contracts, which value, therefore, regulates the retail value of all such produce in every part of the world, and affects not only the producer, but also eventually the agricultural labourer, as well as the value of the land that grows the produce." The book is deeply interesting, and the subject one that demands searching investigation; for the deductions of the author, as the result of long experience, are that it means commercial ruin to the country, if measures be not adopted to make this gigantic gambling in food and raw materials illegal. A Parliamentary Commission should make a thorough and exhaustive inquiry into this system—which is a potent factor in the present agricultural depression—with a view to legislation, since no power at present exists, to check an evil which has grown to such magnitude within the past decade. He contends that it is absolutely necessary that a Bill should be brought in to make it illegal to sell Futures or Options ahead, or forestall the market in any way of any produce, food products, or commercial commodities, which the sellers do not actually hold in some shape or form at the time of sale. The United States Senate, by a large majority, has passed an anti-Option Bill which puts a tax on such transactions to make them prohibitive, but the House of Representatives has unfortunately shelved the measure for the present. At all events, so far as the home markets are affected by this gambling system, a strong case is made out by Mr. Smith calling for Parliamentary notice, and we trust that very soon steps will be taken in the House of Commons to have an inquiry made, both deep and searching, and embracing not alone this system, but the modern invention of Trusts, Combinations, and Syndicates, which have spread so much of late. The book is one which should be extensively read and studied, for it discloses a condition of things that more or less affects everyone. The author is not a "crank," nor the subject a "craze;" but the work is a sober relation of facts which should be faced, and of an evil that ought to be denounced.

'Commercial Gambling.'

To the Agricultural Department of the Standard.

Sir,—May I make a few remarks on your last Monday's interesting article in *The Standard* re Agriculture.

You say, the fall in the values of wheat in America still continues owing to the financial crisis. May I point out, that while the state of finance may be the indirect cause for this continued decline, still it would have been truer expressed if you had said that the decline was directly due to the continued monthly liquidation of the enormous gambling option contracts in wheat, which, under the pressure of the financial crisis, had made it imperative upon the holders of these contracts to re-sell at the best price obtainable as each month's deliveries came round; and such has been the case now for months past. Even the New York and Chicago telegrams point out the past two days that wheat declined on fears of a liquidate of September and December options, aided by large operators being on the bear side; and so it will be, more or less, to the end of the chapter, on the broad basis, that the Future and Option systems being in themselves rotten, and answerable in a large measure for the present state of finance, they will always be affected by all unfavourable factors, however slight; and thus on liquidation a decline in values must be the inevitable result, and this in its turn can only tend to seriously aggravate the financial position, not only of the banks in America, but also of all private traders, as well as the producers, who are one and all dependent upon financial assistance from these banking institutions. This artificial decline day after day being re-echoed through our own produce exchanges, the result is, that the values of all such commodities are depreciated whether grown in this or any other country, and totally independent of the question of present or future supply.

Yours, &c.,

August 24th. Charles W. Smith.

The Standard, September 4th, 1893.

In reference to our recent remarks upon the depressing effect of financial difficulties in the United States upon the wheat market, Mr. C. W. Smith, author of 'Commercial Gambling' (Sampson Low and Co.), asks to be allowed to state that the primary cause of the anomalous fall in prices is "the continued monthly liquidation of enormous gambling option contracts in wheat." The pressure of the financial crisis, he adds, has made it imperative upon the holders of those contracts to re-sell at any price obtainable, month after month, as the contracts approached maturity. He points to the New York and Chicago market reports in *The Standard* as confirming his statement by mentioning liquidations and expected liquidations as the causes of falls in prices. The Option system, he goes on to say, is a rotten one, and is answerable in great measure for the failure of banks, as well as of trading firms, in the United States, and for agricultural depression throughout the world. His contention is that prices are artificially depressed, not only by the tricks of "bear" speculators and by the failure of attempted "corners" on the part of "bulls," but also by the frequent collapse of the reckless and impecunious gamblers who swarm in the markets of the United States and Liverpool, driving legitimate speculators and other men of capital out of the grain trade. The force of these arguments is thoroughly recognised by producers in America, and by the great majority of merchants in this country.

The Morning Post, September 30th.

The practice of dealing in options and futures is emphatically denounced in Mr. Charles W. Smith's book on 'Commercial Gambling.' He asserts that these transactions are the principal causes of depression in agriculture and trade. Of course, if this be so, the remedy is comparatively easy, and his appeal to the legislature to interfere is just and reasonable. The question is, however, one which must be decided by commercial and business men, whose interests are more directly at stake, and if they consider it advisable, they will doubtless agitate for such measures as may be necessary for their protection.

The Times, July 13th, 1893.

The writer pursues and enlarges upon a subject broached in his former work entitled 'Original Theories upon, and Remedies for, Depression in Trade, Land, Agriculture, and Silver,' with the object of explaining "the gradual ruin that has been brought about by gambling not only in options of wheat and corn, but also in those of other produce, as well as seriously affecting the value of the land that grows those commodities." The subject is a very important one, and Mr. Smith treats it with adequate knowledge and no little insight. Some of his conclusions may be disputable, and the remedies he proposes may be legitimately

open to criticism, but he writes cogently and straightforwardly on a subject which demands the earnest attention of all who desire fair dealing in trade and are concerned for the stability of some of the most important branches of commerce.

The Scotsman, July 10th.

Mr. C. W. Smith's small volume on 'Commercial Gambling' (15) is a supplement to his book of 'Original Theories upon, and Remedies for, Depression in Trade, Land, Agriculture, and Silver,' and sums up and emphasises the arguments more briefly set forth in that work. Mr. Smith's position is that the present depression in trade is due to the system of options or future contracts, a system which his experience has shown him encourages gambling in produce. His illustrations are drawn chiefly from the history of the Liverpool cotton market, and he makes out a strong case for the abolition by positive enactment of the practice of men selling what they have not got. An Anti-Option Bill is at present under consideration of the Legislature of America; and few will be able to read Mr. Smith's telling denunciation of the system without wishing that a measure similar in effect would pass into law here.

Leeds Mercury, September 8th.

Apparently the subject of gambling in farm produce has obtained attention in Germany as Mr. C. W. Smith, author of 'Commercial Gambling' (Sampson Low and Co.), sends an extract from a letter which he has received from the Director of the Berlin Farmers' Alliance, as follows: "I have never seen such a good exposition of the system of gambling as you give in your book. Your indefatigable crusade against gambling of so many years back as regards corn, cotton, &c., is sure to command the sympathy of all farmers here. The arguments contained in your book will form subjects of debate in our next conference, and will be freely quoted from. We shall take the liberty of availing ourselves of your kind offer and willingness to give us further information, and to support us with your interesting experience." The letter ends with the expression of hope that the evils of the system of trading in "options" and "futures" will soon be recognised by the Parliament of Great Britain. It is to be hoped that the subject will shortly be discussed in our Chambers of Agriculture. In every district there will be found, no doubt, some one connected with the corn trade who understands the working of the option system, so as to be able to explain it in the local Chamber; if not, Mr. C. W. Smith might possibly be induced to attend, as he is enthusiastic on the subject.

Manchester City News, August 26th, 1893 (Extract).

OLDHAM SPINNING COMPANIES AND SPECULATION.

Mr. Charles W. Smith, editor of "Whitaker," in his work on 'Commercial Gambling,' calls attention to the strange fascination which cotton seems to have for men of a speculative or adventurous disposition who appear to think it is a commodity out of which money, lots of money, can be made regardless of any consequences it may have upon the capitalists and workpeople engaged in the great cotton spinning and manufacturing industry. Whatever else has happened, the speculators or "corner men," as they have been opprobriously called, appear to have come worst out of the encounter. We are told that from 1884 to 1890 no less than five attempts were made to "corner" the Liverpool cotton market; first of all by a syndicate of Jews, then, two years in succession, by an American, and lastly, by a Dutchman in 1889 and 1890.

Oldham spinners, during the period named, were led on by the speculators and "corner" operators to what became known as a forward policy in regard to cotton. That is to say, they purchased in advance of their ordinary requirements. They were tempted to do this simply as a means of self-protection, because they found towards the close of the cotton season the speculators laid their nets to "lift" the market and to catch and fleece the trade by making them pay higher prices for the raw material than the circumstances of the case warranted, because they knew that consumers must have the cotton or stop their mills, and they would not prefer to do that. However, users practically struck against this species of trading, and in order to prevent being "cornered" they bought, as we say, greatly in advance of their ordinary requirements. Indeed, in many instances the purchases made were of so extensive a character as to meet the consumption for a whole year and even for a longer period. As nothing succeeds like success, so the defeating of the "corners" by a few firms led to the majority of the companies adopting a similar policy, and, as seen from the above figures, it was productive of good results.

But this is not spinning. So what in one instance led to profit-making it may in turn lead to a loss. While this enjoyment was being partaken of money was also being derived by

speculations in "futures," which tempted the directors of companies not so well circumstanced to make by one means what they could not gain by another—the process of spinning. "If others can successfully manipulate futures and cotton," they said to themselves, "surely we can." And so they tried, but what was the result?

Up to Christmas, 1890, the directors and shareholders of the Oldham spinning companies were on exceedingly good terms with themselves, and were gleefully looking forward to the not far distant time when they would be able to secure some return on their capital, which they had not experienced for some time; but like the will-o'-the-wisp it went afar off just when it was within their grasp. And thus their rejoicing was turned into sorrowing. The policy which led to the one proved the keynote to the other. At the close of the year 1890 nearly the whole of the adverse balances were cleared out of the way, and the position was so roseate that the operatives secured an advance of five per cent. in their wages. The position to-day is nearly the reverse, and some of the companies are literally groaning under the weight of adverse balances. Up to 1890 they had been fighting against "corners," and trying to corner the corners. In 1891 they more than ever bought cotton and speculated to a larger extent. Then came the great cotton yield, and down went prices, the result being that spinners were mulcted in great losses, so much so that in 1891 they totalled for ninety companies £101,434. Some of the directors became scared, and sold futures at the bottom of the market, and struck their balances at several thousand pounds loss, a few touching over £15,000. The companies were not alone in this respect. Private spinners also shared in the ill-result, as well as individual speculators on their own account. Bad trade following on the misfortunes placed spinners in a poor position. Scared by their losses directors and managers lost nerve, and where in calmer moments they would have been able to put money into the shareholders' pockets, they were unable to take advantage and thus to some extent redeem themselves. A few, not content with their first reverse, again tried their hand, with a similar result. Then others sold yarn somewhat heavily, and did not cover with cotton, which, increasing in price, created alarm, and they pushed in and covered at top rates and escaped losses. These are bitter experiences. But the result of all this is that spinners seem now very determined to revert to the old method of selling and buying being very little either covered or under-covered with cotton in accordance with their requirements.

Mr. Smith appeals for a stop to be put to gambling in futures and options. The spinners, no doubt, will be strongly inclined to support any action having that object. However, whatever be their attitude in that matter, it must be the earnest hope of every one in any way connected with the spinning industry that the producers during the next few years will reap to the full the benefit to be derived from their mills.

Commerce, August 23rd.

That earnestness which is born of conviction is markedly apparent in every line of this little book, which is written in a racy and vigorous, not to say aggressive style, more usually associated with the verbal polemics of politics than with the calm argumentative disquisitions of commerce. Mr. Charles W. Smith starts, then, with one element of success. He is thoroughly imbued with a belief in the truth of what he writes, and convinced that he has discovered, if not the only, at any rate the principal cause of the depression of trade and the fall in prices. It is not the appreciation of gold that is responsible, but the gambling system which, of late years, has steadily worked its way into the conduct of business. Against the dealings in "futures" and the speculations in "options" he takes up his parable, and Don Quixote never rode full tilt at a windmill with more hearty goodwill than does Mr. Smith at the men who buy and sell what they have not got, and who play all sorts of knavish tricks with various articles of produce in the furtherance of their object, which is to make their own fortune if they can. Mr. Smith writes as one who knows; and his knowledge is "of the centre," for he has been a produce broker for more than thirty years. Without endorsing all that he says, and without attributing as much importance as he does in its effects upon the trade of the world to the special matter with which he deals, we feel that there is a solid foundation of fact in his book. Far too large a proportion of modern business transactions are a libel on the name "commerce." They are gambling, as impure, if not as simple, as tossing with halfpence or betting with impecunious strangers as to the exact relationship in space of a pea to any one of three tin cups. And inasmuch as business partakes of this character, wide-spreading harm must result. Whether legislation can deal with the evil as effectually as Mr. Smith seems to think, is another matter. Legislation to put down gambling has never been able to boast any great success. Man is at least as much a gambling as a cooking animal, and, to give a free-and-easy translation of the well-worn Latin lines, "You may turn Nature out with a pitchfork, but she will turn up again." At the same time, the experiment might be made, and if it only resulted in driving men with the gambling instinct strongly developed into finding other channels for its exercise, there is a probability that such channels would be less harmful. At all events, the effects of this purely speculative buying and selling

—quite a distinct thing from legitimately speculative operations, though perhaps the difference eludes precise definition—might be studied. The attention devoted to currency problems would find more utilitarian outcome if turned to this subject; while even the most uncommercial reader will profit by the explanation of such slang commercial terms as "cornering," "unloading," "covering," &c., which he will find in Mr. Smith's smart little volume.

The Manchester Guardian, August 8th, 1893.

We have received a copy of 'Commercial Gambling' (London: Sampson Low, Marston, and Co.), by Mr. Charles W. Smith, of Liverpool, the editor of Messrs. Whitaker, Whitehead, and Co.'s circular. The volume is an elaboration of the principal topic dealt with in a previous book published by Mr. Smith and noticed in our columns at the time, and is a much more successful production, precisely because the author is less discursive than he was in that former publication. He discusses in considerable detail the vast system of speculative dealings in "options" and "futures," to which he attributes the depression in agriculture and trade. The volume may be recommended to all who wish to obtain a knowledge of the kind of dealings referred to, and to understand the considerations which have influenced the authors of the American Anti-Option Bill. Undoubtedly Mr. Smith calls attentions to many abuses of the system. But he really loads his subject with more than it will carry. After all, the "future" system, within legitimate limits, tends rather to steady prices than to force them downwards. Mr. Smith seems to overlook the fact that if any annual crop, though in itself barely sufficient to supply the year's requirements, be forced on the market at the beginning of the season prices may be lowered much below what the actual statistical position justifies. The real object of the "future" system is to spread supplies more or less equably over the whole period of consumption. So far as the abuse of the system tends to lower prices by the influence of repeated "bear" operations, the evil would cure itself by the losses which would result in consequence of the play of real demand and supply were it not that meanwhile prices are being constantly depressed by other conditions of the major importance of which Mr. Smith does not seem fully conscious. In justice to Mr. Smith it must be said that he does not seem to wish to prevent actual speculative purchases of produce for more or less remote delivery, but he would make the actual holding of the produce by the seller of the "future" and its actual delivery to the last purchaser compulsory by legislation. We fear that any such attempt to prevent abuses would prove infinitely mischievous. So far as the system is objectionable the cure is more likely to be found in the gradual elimination of middlemen which is in progress in many directions.

'COMMERCIAL GAMBLING.'

To the Editor of the Manchester Guardian.

SIR,—I have read with interest the review in your valuable journal of the 8th inst. relative to my publication entitled as above, and I trust you will kindly allow me space to dwell upon one or two of the more important points you raise.

In the first place, you say that the future system, if carried on within legitimate limits, tends rather to steady prices, and I should be disposed to agree with you if the former was the case, but the system, by increasing so enormously in the various produce exchanges during the past ten years, is well known to have brought with it serious abuses, and has, in consequence, gone far ahead, by leaps and bounds, *of all legitimate limits*, and has become, as I show, under such altered circumstances, what it was never intended to be—that is, a machine to facilitate gambling transactions pure and simple. This factor consequently must have an adverse effect on all *bonâ fide* traders, by being answerable for wide and unnatural fluctuations in value, while the system of a daily or weekly settlement can only also tend, nine times out of ten, to cause first financial depression in the clearing-house, followed by a fall in values, and culminating very often every season in a semi-panic. No doubt, as you further say, the original object of the future system was to spread supplies more or less equally over the twelve months, but is this the case under the present abuses of the system? I maintain it is not, and I point this out most forcibly in my answer to question number 3 in my book, which also answers your remark where you say that I seem to overlook the fact that if any annual crop, though in itself barely sufficient to supply the year's requirements, be forced on the market at the beginning of the season, prices may be lowered much below what the actual statistical position justifies. It is this very fact, even in the face of a short supply, of forestalling and manipulating the crops of the world all the year round (very often even before the seed is in the ground), in the shape of speculative sales of options and futures, against which actual produce is hardly ever tendered, that I expose and wish to put a stop to, as these huge "bear" transactions, based as they are on a settlement, can only in the long run be the means of artificially depreciating the value, and by so doing must tend to seriously affect and

gradually ruin the producer, by placing the latter at the tender mercy of the gambler, by having the value of his produce regulated ahead by the value of the gambling future contract.

I should also like, in answer to your further remarks, to point out that *I have in my previous book entitled 'Depression in Trade and Silver' dwelt most fully upon all the other important conditions which are a source of depression, and I specially refer to this fact again in page* 50 *(printed in italics) of my present book.* In conclusion, let me say that it will, in my humble opinion, be a sad day for many if the cure you point out is to be found in the gradual elimination of middlemen. If this is to be the case, all that I can hope is that this class, who are the legislators, as it were, for making rules and regulations in our various produce exchanges, will take the hint at once and put their various houses in order before they see such a cure forced upon them, and which no doubt will be the case if by the abuse of their old existing rules they force the manufacturer, spinner, merchant, and producer to see plainly that it is in their interest to do away with a class who have always been, to my knowledge, useful and honourable, and who will, I feel certain, be the first to make alterations in a system of trading which has become under its abuses eminently unfair to all *bonâ fide* traders, and which tends to ruin the most important of all, viz. the producer.

Yours, &c., CHARLES W. SMITH.

August 15, 1893.

Norfolk Standard, July 8th.

'Commercial Gambling' is the title under which Mr. Charles W. Smith has elected to discuss the principal causes of the depression in Agriculture and Trade. Known widely as editor of 'Whitaker,' Mr. Smith has used his pen before on the same subject that to which the handsome little red volume published by Messrs. Sampson Low and Co. is devoted, and his remarks are well worthy of careful study. The problem of depression is one not easily solved, and if we disagree with some of Mr. Smith's conclusions here and there, we welcome his contribution to the solution of a puzzle, indeed, and one affecting the position of thousands throughout the country and the financial importance of which can and has been computed in millions.

The Evening Standard, July 13th, 1893.

The disastrous effects of gambling speculations on ordinary trade have been felt by more than one industry in this country, but by none more than the staple industry of Lancashire. It is hardly twenty years ago that the pernicious system of dealing in cotton for future delivery was introduced at Liverpool, and, within a short time, the result was to throw the cotton manufacture into confusion. There can be no question that this gambling system of dealing in raw materials, that have not even been grown at the time of the contracts, is inimical to the prosperity of all the industries dependent on such produce. Of dealing in "futures," with the allied systems of corners and rings, the United States has had much more extensive experience than this country. The invariable consequences has been the enrichment of a Jay Gould or some other unscrupulous person, at the expense of ruinous loss and untold misery to thousands of small people; and, what is still worse, the disorganisation of industry, the creation of panic and uncertainty, and the undermining of honest business principles. The question is, How is this illegitimate outgrowth of trade competition to be combatted? Mr. C. W. Smith, a Liverpool cotton broker of long standing, who has recently published some reflections on the subject, holds that there can be no cure, unless the Legislature renders all dealings in "futures" a penal offence. We fear, however, that it would be of little use if only one country adopted such legislation. But the evil is so great that something must be done, sooner or later, and the most effective way of dealing with it would be by international action.

Leeds Mercury, July 1st, 1893.

Wheat has once more fallen in value, current supplies being heavy, and the price to-day is fully 3*s.* a quarter worse than it was a year ago, although the prospects of the growing crop in the world are quite 20 per cent. less favourable. Financial disturbances in the United States have helped to depress prices, and it is a fair question whether the gambling system of trading which prevails in that country has not more to do with the depression in the wheat and other trades than most people imagine. This subject is fully dealt with in a book entitled 'Commercial Gambling: the Principal Cause of Depression in Agriculture and Trade,' by C. W. Smith (Low, Marston, and Co., London), which ought to be widely read by agriculturists and traders. The author, who has previously published a small book on the subject, is editor of Whitaker, Whitehead, and Co.'s *Weekly Trade, Finance and Cotton Circular*, and for a great many years was engaged in business as a broker at Liverpool, where he had a good deal of experience in the "option" or "future" system, which is what he now writes to denounce. His second book is much more complete and argumentative than the first was. He states the origin of the system, the commodities dealt with under it, the terms used in it, and the

methods under which it is carried on and their results, and then proposes a Parliamentary inquiry, with a view to legislation against the gambling system. Among the conclusions which he claims to have established by his evidence are these—That "option" and "future" contracts were adopted in America at about the time when depression commenced, that the depression was intensified as they became general, that the industries directly affected by the gambling system were the first to feel the depression, that prices have been depressed by the system, and that where it prevails it has ruined legitimate trade and produced panics and a generally unsound financial condition among traders. The subject is one of great importance, and Mr. Smith deals with it in a striking manner. If he is right, something should be done to stop the advance of the system he condemns; and if he is wrong, he should be refuted. But the great majority of men in this country who are engaged in the corn trade, except in Liverpool, where it prevails, declare the system a curse to commerce.

The Liverpool Daily Post, August 5th, 1893.

Mr. Charles W. Smith thinks he has discovered the cause of depression in agriculture and trade, and has taken the world into his confidence by entrusting the publication of his views to Messrs. Sampson Low and Co., in the form of a volume entitled 'Commercial Gambling.' That gambling is an evil very prevalent in the commercial world everyone will admit, and there are few who will deny that it is a very disturbing element and productive of many evils. Mr. Charles W. Smith, too, undoubtedly knows all about the various modes in which a gamble in either produce or shares can be carried through. He talks about "futures" and "options," "bulls" and "bears," and uses all the jargon of the markets with a familiarity that is suggestive of long and intimate acquaintance with all the grooves of commerce. But he does not prove his point, which is that the true source of all trade and agricultural trouble flows from the settlement system that has, within the last ten years, come so largely into vogue in this country, and is still extending.

Mr. Smith's line of argument is that the settlement system alone renders large dealings in futures possible, that it is in futures that speculation is rampant, that by a fictitious dealing in futures prices are systematically forced to a level below the real value, and that the inevitable result over a series of years is to rob farmers of their legitimate profits without anyone being one penny the better except the "bears" who have methodically and persistently depreciated prices. Everyone had been supposing that the settlement system was not only a great convenience but a great advantage to trade, and that one important matter to its credit was that it enabled an enormous amount of business to be settled by the passing of a minimum amount of cash. That this is so we do not suppose Mr. Smith would for a moment deny, but instead of this being a benefit it is to his mind a most dangerous evil. The settlement system had to be introduced to protect merchants and others who sold options against pending imports from loss through the failure of speculative purchasers, but the speculator has so utilized the system as to make it serve his own ends and to subject the business of the merchant and importer to his pernicious control. It is the "bear" who is Mr. Smith's *bête-noire*. As for the unfortunate "bull," he is made to appear in the unwonted light of a public benefactor, who bears all the loss that accrues while produce is on its way from the grower to the consumer. From the consumer's point of view, indeed, "bulls" and "bears" appear to be assiduously labouring with a view to effecting the same great object—namely, to bring down prices of all commodities to a level that is absolutely below the cost of production, for though the "bulls" are eternally trying to advance prices, their action in the long run only makes the success of their natural enemies all the more phenomenal.

It must be admitted that the argument is put forward with very great ingenuity. The fundamental idea is that prices are so manipulated as not to be regulated in any way by supply and demand, but that they are fixed by speculation. There are, we are told, four crops made out of every single crop that is grown. First, there is the actual crop which, in America, is sold by the farmers to factors and merchants. Next, there is a crop of options sold by the factors and merchants "as a hedge against their purchases." These duplicating, it will be seen, actual produce not yet marketed, are bought by speculators and resold, this being the third crop. Then there is the fourth crop of options that are merely speculative time bargains that have no relation to real produce, and are capable of indefinite multiplication. It is the sale of this last crop which Mr. Smith declares forces prices down and brings ruin to the grower. But he admits that the fourth crop is not marketed until the bulk of the first crop is sold, and the reason for this is obvious. The speculator does not know whether to be a "bull" or a "bear" until the extent of the real crop is ascertained, but as soon as he is able to form an opinion as to whether the yield will exceed or fall short of demand he takes his plunge and carries prices either artificially high or artificially low. His action is, therefore, originally regulated by supply and demand, though at subsequent stages he no doubt gives due weight to the "state of the market," the price of money, and other external considerations.

The weakness of Mr. Smith's argument is his allegation that speculation persistently tends to a fall. If he had confined himself to asserting that it caused wide and unnatural fluctuations in value, his argument would have been unassailable.

'Commercial Gambling.'

To the Editor of the Daily Post.

Sir,—I have read with great interest the leading article in your valuable journal of the 5th inst., relative to my publication entitled as above, and I trust you will kindly allow me space to dwell upon one or two of the more important points raised, which are rather at variance with what the arguments in my book really aim to prove.

In the first place, you say I do not prove my point, which put in your own words is that the true source of all trade and agricultural trouble flows from the settlement system. Now, what I do assert is *that this system is certainly one of the important factors in the situation which aggravates the depression*, and I try to show as clearly as I can that this system has been so altered from what the original intention was ten years ago that it has become, by its abuse, into what it was never intended; that is, a machine to facilitate gambling transactions pure and simple, and which consequently have an adverse effect on all trades and industries, being further an instrument against the operations of the bulls, and consequently in favour of the bears, and is answerable, as is well known, for causing first financial depression in the clearing-house, followed by a fall in values, and culminating very often in a semi-panic.

You are quite right in saying that the bear is my real *bête-noire*. But I fancy I allude to a different class of bear to what you do, and which now constitutes 90 per cent. of the whole bear interest in this country. I allude to the new style of merchant called an importer, who constitutes himself into a bear by being obliged to sell futures as a hedge against produce bought abroad for importation into this country, and whose contracts liquidate themselves without hardly ever having any produce (except in corner years) tendered against them, and hence are reduced down to the basis of a gamble pure and simple. Consequently, under this new system of importing foreign produce we are forced to witness in our various produce exchanges an enormous bear interest on paper open all the year round in the shape of futures, and a speculative buyer, as is well known, must be found at some price to buy these futures, the result being that directly any outside unfavourable factor happens, however slight, the tendency during liquidation of these bull operations under a settlement must eventually create an artificial decline, and prices be depreciated to such an extent that would not be warranted if supply and demand were the regulating medium; and I explained most forcibly in page 147 of my book how *the settlement system in that case at once adversely affects the bulls financially and favours the bears, 90 per cent. of the latter being composed, as explained, of importers.*

As you say most rightly, the action of bull speculators is no doubt originally regulated by supply and demand; and all I have tried to explain is that the result of these huge operations (totally independent of supply and demand, after allowing for the usual fluctuations) must eventually, in the long run, prove a direct factor for causing *an artificial fall directly the bulls attempt to unload*, as well as showing that the settlement system is against their interest, and especially so when the markets are further attacked either by the *bonâ fide* bear, wrecker, jobber, &c., or *by the compulsory bear sales of futures, offered by the importer against actual produce as explained*; and consequently my argument is that the enormous increase in past years of the present system of options and futures, *based on a daily or weekly settlement* (combined with pure gambling in paper contracts), which now constitute the basis for moving not only crops abroad, but also for importing foreign produce into this country, must, in my humble opinion, be a source of depression in all produce markets in the majority of seasons, and has naturally, by causing this artificial decline, tended to ruin the producer of all commodities where such systems have been introduced as a medium for importing.

And all I propose for a remedy is that all classes of *bonâ fide* traders be put on an equal basis for trading in the commercial world, and obtain a *fair chance for having their property protected*; and it is with the sole object of showing that under the present systems of manipulating the crops of the world this is not the case I have ventured to bring this important subject before the public, in the hope that it may tend to throw an entirely fresh light and explain how it is that the wholesale markets (which govern the retail) generally decline without any *apparently substantial reason, even in the face of a small supply*. And if such is the case, it is needless to point out that not only is the producer, but also the *bonâ fide* trader and legitimate bull speculator, suffering under it.

The very fact, as you frankly admit, of options and futures introduced into the commercial world during the past ten to fifteen years as the medium for speculation being answerable for wide and unnatural fluctuations in value is quite enough to prove that immense harm must be done to our leading industries; and the principal difference of opinion between us, as far as I can see, sir, is the simple question whether this speculation in futures persistently tends to a fall.

I maintain that it does under the present systems, and I claim to have proved it to be the case after fifteen years of actual working experience, which is the foundation of the evidence as given in my book, and if England acknowledges that I have done so, she will, in the interest of the majority, have to recognise (as the American nation has done) that the systems I denounce do form one of the principal and original causes of depression both in trade and agriculture, by artificially forcing values down to a lower level than warranted by the ordinary laws of supply and demand, which by so doing has reduced this subject into one of national importance.—Apologising for the length of this letter, I am, yours, &c.,

August 8, 1893. CHARLES W. SMITH.

The Crewe Advertiser and Stockport Advertiser, September 23rd.

The writer of this work, a gentleman of the widest experience in trade and author of a previous book on a kindred subject, has opened up to the public mind the undoubted evils which surround the options and futures in the main articles of food and manufactures. The remarkable depression which has during the past few years taken hold on our commerce, and especially on agriculture, has by various writers been attributed to some occult cause, one of the latest being bimetallism. With all due deference to the claims advanced on behalf of the latter, we think they are far less tangible, and the evils of a gold standard much more shadowy than is the system of trading, or rather Stock Exchange gambling which Mr. Smith deals with so trenchantly in this book. To the general public, unused to the ramifications of dealings in options and futures, and the *modus operandi* by which "bears" and "bulls" inflate or depress the markets, it would be no easy task to explain intelligibly in the space at command the manifold evils of a system which has grown in ten years into gigantic proportions, and which, unless steps are taken to prohibit these nefarious practices by passing a Bill in Parliament, will further develop.

The author shows that since the American methods of rigging the markets have become common in England, and since the establishment of the clearing-house system to Stock Exchange settlements, a vast system of gambling has taken root by which enormous dealings in food stuffs, cotton, &c., take place by which operators hope to secure some margin of profit on re-sale, such operators never having the slightest interest in their holdings except for the purposes of gambling therewith. The system of "cornering" with its countless evils to almost every one is fully exposed, and especially the ill-effects to trade which arise from the abnormally high or low prices which result as a rule in tremendous failures, and a consequent throwing on the markets of immense stocks when the bubble has burst. I have known thousands of cases where one importation of actual produce was "hedged" by no less than two or three sales of futures. For instance, a purchase abroad of actual produce in January was hedged by a sale of March futures; the latter was taken in and June futures sold. These again were taken in and September futures were sold, and then at last the original actual importation was sold to the consumer. So we may say that, for instance, £10,000 of produce imported had actually £30,000 worth of futures sold against it in three different contracts, and these three different contracts were ultimately re-sold by the speculators who bought them, making in all six sales of futures, representing in value £60,000, besides the value of the actual produce before the importer has disposed of his £10,000 worth of produce to the consumer, and thus closed his original transaction.

The cornering of the cotton market, which has of late become so common, comes under drastic censure, and to these he largely attributes the gradual downfall of our manufacturing supremacy. He shows how the strikes in the cotton and other trades may be traced directly to the cause he denounces, giving figures which lend force and proof to his conclusions. The remedy proposed is for a law to be passed "prohibiting speculative selling of all classes of produce; in plain language, make it illegal for a man to sell what he has not got, or thus take it out of the power of any man or syndicate to depreciate, by such artificial selling, other people's property." The book is especially valuable in calling attention to the very serious and thoroughly immoral systems of gambling speculations which are permeating trade and commerce to the detriment of everybody and everything save the few sharks who can avoid becoming the victims of their equally voracious associates.

Hereford Journal, August 5th.

A Herefordshire gentleman, Mr. Charles W. Smith, of Whitney Court, has lately brought out an important book which he has entitled 'Commercial Gambling.' The subject is a technical one, and Mr. Smith tackles it in a manner which shows what he is writing about. He observes that "the theories I am advocating will be almost Greek to the non-commercial world, and the working classes in general," and he goes on to say that he hopes those men who have protested against the injustice of the railway companies will "also rise *en masse*

when they have fully understood the curses the option, future, and settlement systems have brought upon all, and, in consequence, insist upon some legislation, in order to do away with the original cause, in my opinion, of the present extreme, undue, and artificial depression which exists, not only in the various articles of produce, including food products, but also upon the land that grows them; for these practices, if allowed to continue, must gradually but inevitably bring this country into a state of bankruptcy and ruin, as well as all other countries which have been affected naturally by such gambling proceedings." The object Mr. Smith had in writing his book was to explain the gradual ruin that has been brought about by gambling, not only in options of wheat and corn, but also in those of other produce, as well as seriously affecting the value of the land that grows these commodities. He dwells on "the curses" the option, future, and settlement systems have brought upon the world since their introduction, not only for moving crops abroad, but also for importing foreign produce into this country.

All the technical terms used in the book are explained, options and futures are defined, their origin is traced, and the effects of the systems are exposed. He very fairly contends that if gambling in minor ways is considered by our legislators to be illegal, gambling in food products and other produce of the land ought to be placed on the same footing. He would make speculative selling of produce illegal, and his remedy for England would be to "bring in a Bill called an Anti-Future Bill, on nearly the same lines as the American Anti-Option Bill." He explains the working of such a Bill and its probable results. To the commercial man and the agriculturist the points raised by Mr. Smith are eminently worthy of close attention and study. They are, indeed, of vital importance.

The Morning, July 7th.

Mr. Charles W. Smith, of Whitney Court, Herefordshire, has written an interesting book upon commercial gambling, and the principal causes of depression in agriculture and trade. Mr. Smith was for many years a Liverpool broker, and speaks with some authority on the subject. He attributes a great deal of the depression in trade to the future, option, and settlement system, and to the corners, manipulations and syndicates which are their offspring. Mr. Smith believes that an Anti-Future Bill is absolutely necessary to counteract the evils of which he complains, and says that if such a Bill became law in England and America, every man, woman, and child would feel the benefit of it.

Leamington Spa Courier, July 15th.

The author, who has thirty-one years' experience in the commercial world, has here, in plain and unmistakable language, laid bare the curse of gambling upon our industries under the system of "option," "future," and "settlement," by which "gradual misery and ruin have been entailed upon all classes." Mr. Smith avers that the daily gambling in wheat, maize, cotton, and other produce is only indulged in by a very small portion of the world, so that the majority of all classes are suffering by the gambling acts of a very small minority. He urges that legislation is urgently needed to correct the evil.

Westminster Gazette, July 7th.

The author writes as one with thirty years' experience in the commercial world, and he trusts his readers will realise, as he has done, "the curses the option, future, and settlement systems have brought upon the world."

British Trade Journal, September 6th.

In this volume, the author, who is the editor of the circular issued by the Liverpool firm of Whitaker, Whitehead & Co., deals with the system of speculative business in options and futures, to which he traces the present depression in trade. Mr. Smith does not wish, as we understand him, to prevent the actual speculative purchases of produce for future delivery, but is desirous of making the actual holding of the produce by the seller of a "future," and its actual delivery to the last purchaser compulsory by legislation—thus doing away with the purely speculative or gambling element so rapidly developed in business during recent years.

Bookseller, July 20th.

Mr. Smith sets himself to maintain the thesis that gambling in options of wheat, corn, and other produce is a disastrous and ruinous system. Mr. Smith's experience of business life has been lengthy, and his views, if somewhat dogmatically expressed, undoubtedly contain much matter for reflection.

Colchester Gazette and Belfast Northern Whig, August 3rd.

In 'Commercial Gambling,' Mr. Charles W. Smith, of Liverpool, enlarges on the slashing indictment of the future, option, and settlement systems which he made in his recent pamphlet, 'Original Theories upon, and Remedies for, Depression in Trade, Land, Agriculture, and Silver.' It is a book well worth the attention of all engaged in commercial pursuits.

Halifax Guardian, July 22nd.

The author is Mr. Charles W. Smith, who has had thirty-one years' experience in the commercial world, and has produced this work in order that "not only the non-commercial world, but also the landlord, farmer, and working-classes can fully understand the subject, and realise the curses the option, future, and settlement systems have brought upon the world, not only as the basis for moving the crops abroad, but also for importing foreign produce into this country." The author's indictment is ably sustained.

Manchester Evening News, August 7th.

Mr. C. W. Smith, of Liverpool, the writer, has very decided views about the principal causes of depression in agriculture and trade, and has much to say about the "gradual ruin that has," he says, "been brought about by gambling, not only in options of wheat and corn but also in those of other produce." Some of the original and principal causes of bad trade in Lancashire he attributes to the abuses of the option, future, and settlement systems. His remedy is to make illegal speculative selling of all classes of produce—in other words, to punish by fine or imprisonment a man who sells what he does not possess, and he suggests the introduction of an "Anti-Future Bill" in Parliament.

Wolverhampton Chronicle, July 26th.

'Commercial Gambling' is an amplification of 'Original Theories upon, and Remedies for, Depression in Trade, Agriculture, and Silver,' which latter we had occasion to favourably notice some time ago. We can only say that the author—Mr. C. W. Smith, Liverpool—seems to write from an extended and wide experience, and that the theories and arguments he advances are well worthy the careful and dispassionate perusal of all commercial men.

Ayr Observer, July 18th.

This is a well-sustained argument proving that commercial gambling causes depression in agriculture and trade. Gambling of all kinds is to be condemned, but it is not generally known that the gambling in the Stock Exchange, options and futures, settlements and clearing-houses, are ten times more extensive than those on a race-course, and are more disastrous. It is well that attention should be drawn to this; the more publicity given, the cure may be sooner arrived at.

The Echo, July 7th.

We would advise traders and agriculturists to read Mr. Charles W. Smith's 'Commercial Gambling.' The author, a well-known authority on business matters, attributes the depression in our trade and agriculture to gambling. He writes with all the qualifications of more than thirty years' experience. Some of our readers may be already acquainted with Mr Smith's book, 'Original Theories upon, and Remedies for, Depression in Trade, Agriculture, and Silver,' a book which has been well received in the business world, and of which the present one is the completement. 'Commercial Gambling' contains the smallest number of technical terms. It is so clearly written that the general reader may grasp its meaning as easily as the farmer and commercial man. Mr. Smith, in fact, claims to have made the evils of the option, future, and settlement system plain to the humblest capacity. In order to remove all difficulty from the path of the most untechnical reader, Mr. Smith supplies a glossary of business terms. Says our author:—"Since 1888, this gambling has increased to a large and very serious extent, and the losses entailed upon that community (India) since that year, in buying futures of various classes of produce through European houses, must amount to a total figure that would not be credited by outsiders, the extent of which can only be known by the European houses themselves, who have done the business on native account. There is no doubt that it is a growing evil, combined with speculating in exchange and silver, and I don't hesitate to say that during the past eight years it must, in the aggregate, have cost that community millions of pounds one way and another."

Stockport Advertiser, July 14th.

The author is Mr. Charles W. Smith, whose works on kindred subjects are too well known to need referring to. In the present volume Mr. Smith endeavours to show that the principal causes of depression in agriculture and trade have been brought about by gambling in options of wheat and corn and other produce, and that owing to this cause the valuc of the land has also been depreciated. He strongly condemns the disasters which the option, future, and settlement systems have caused both in connection with the removal of crops and the importation of produce into England. Mr. Smith makes out a very strong case, and submits his facts and arguments with a lucidity and vigour which must make the subject clear to even the humblest agricultural labourer—a class which, with the landlord and farmer, he expresses in his preface, an earnest desire to reach and convince.

Birmingham Mercury, July 22nd.

Among recent books received, certainly the most noteworthy is 'Commercial Gambling,' by C. W. Smith. After thirty-one years' experience in the commercial world the author sets himself to expose the present system of traffic in investments, &c., and to prove this to be the primary cause of depression in agriculture and trade. The writer's standing is such as to qualify him beyond doubt for the subject, and his performance is decidedly creditable; his earnestness of intention and candour in argument are clear beyond hesitation.

Manchester Examiner, August 9th.

Mr. C. W. Smith has followed up his book on 'Original Theories on Trade Depression' by one entitled 'Commercial Gambling: Principal Causes of Depression in Agriculture and Trade' (London: Sampson Low & Co.). The subject here dealt with was referred to in his previous work, but he now enlarges upon it. His object is to show "the gradual ruin that has been brought about by gambling, not only in options of wheat and corn, but also in those of other produce." The remedy he proposes is the passing of an Anti-Future Bill on nearly the same lines as the American Anti-Option Bill. Very few people, we imagine, are prepared to deny that a grave evil exists, but there will probably be some difference of opinion as to the methods Mr. Smith urges should be adopted for checking it. His long experience as a Liverpool broker has made him intimately acquainted with the option, future, and settlement systems which he so strongly condemns.

Liverpool Courier, August 21st.

Mr. Charles W. Smith, of Liverpool, has thirty-one years' experience in the commercial world to base his opinions upon. He has no hesitation in assigning, as the principal causes of depression in trade and agriculture, the "option, future, and settlement systems." This view and the grounds upon which he vindicates it, are concisely set forth in a new book from Mr. Smith's pen entitled 'Commercial Gambling,' published by Messrs. Sampson Low, Marston, and Company, Limited. The fact of the clearing-house and settlement in Liverpool being of very recent date "clearly shows," to Mr. Smith's mind, "that the present great depression is due largely to the system." What the author terms "a complete exposure" of the future, option, and settlement systems cannot fail to be of special interest just now in view of the American Anti-Option Bill. Mr. Smith adduces many specific instances of huge transactions in futures and their consequences, in support of his contentions, and altogether presents a very strong case, concluding with the assertion that "if an Anti-Option and Anti-Future Bill were passed in this country and in America, 95 per cent. of the whole population of the world would benefit by it."

Manchester City News, July 15th.

QUESTIONS FOR OLDHAM.

[*Extract.*]

In an article contributed to the *Economic Journal*, the writer of same offers some observations on the recent Oldham cotton dispute. Both masters and men know that millions of new spindles have been laid down before the state of trade warranted the increase. The new machinery and the mills have mostly been built by speculators, and the share capital is mainly held by architects, builders, and machine makers. The men demand an amendment in the Companies Act to put a stop to this anomalous state of affairs. Those Acts were not intended to be the means whereby a great industry could be exploited by

speculators and company promoters of all sorts. A contributive cause of the profitless state of many spinning companies is declared by shareholders and is admitted by directors to be the way in which gambling in futures has been indulged. It is not denied that directors of losing concerns have, like drowning men clutching at straws, sought to make up losses in spinning out of gains in speculation. The result, of course, as any one would predict, has only been to swell the "adverse balances."

The writer says nothing in his pages of these and other causes which have brought about the condition of the cotton industry for the last three years, nor does he suggest any remedial measures beyond a mild proposal that wages disputes might be prevented by the adoption of a sliding scale. But disputes on the question of wages are only one and perhaps the smallest element in the case. The men point to the chief cause, the reckless increase in the means of production. The shareholders blame the management generally, especially the policy of gambling, and a third explanation is given in a book which has just been published by Mr. C. W. Smith, the editor of 'Whitaker's,' on 'Commercial Gambling.' Mr. Smith's object is to show the part that gambling in commodities, food, raw materials, and the like, has played in bringing about the profitless state of many of our industries. His remarks with regard to cotton have a distinct bearing on the question of Oldham. He deals with that aspect of the question known as "cornering." During the thirteen years ending 1890 there were no fewer than eight years of "corners," each one of which caused short time to be worked during its period, ranging from four to fourteen weeks. In 1885 one of these "corners," formed by a syndicate of Jews, caused a stoppage of thirteen weeks, by which Oldham lost £1,000,000. Mr. Smith cannot give us a total estimate of what these "corners" have cost the cotton trade; but if we add the increased cost of cotton which spinners had to pay and the loss on stocks when the "corner" came to an end, to the losses in wages and expenses during short times through those "corners," the gross loss to Lancashire must have been enormous. Including the last great dispute of twenty weeks it would be safe to say that during the time covered by Mr. Smith's book—sixteen years—*the loss to the Lancashire Cotton Industry from these cannot be less than one million a year for the whole time.* Mr. Smith advocates an Act of Parliament to put down gambling in "Futures." Like the Anti-Option Act proposed by America, such an Act would not interfere with legitimate speculation with a view to supply certain wants, but would make "cornering" illegal, and would punish those who sold that which they did not possess, and those who bought that which they had no idea of accepting and paying for—the gamblers in fact. Such an Act is urgently demanded and is inevitable if our great industry must be carried on without these ever-recurring disasters. These gamblers actually forced up the price of cotton during the last stoppage, in the face of the largest stock on record, by three halfpence a pound. If such an Act were passed, and also a drastic amendment to the Companies Act to the effect that a certain proportion—say three-fourths—of share capital shall be subscribed by persons in good faith before any company can be registered, we might leave all nostrums, such as sliding scales and bimetallism to the professors. Oldham and the cotton trade generally would enter upon a new period of prosperity.

Industries and Iron, August 11th, 1893.

Mr. Smith is no writer, but he has some powerful arguments in support of his position, which is, briefly, that the present system of future and option contract interferes with the laws of supply and demand, and tends to unduly diminish the prices obtained by raisers for their produce. The subject is one which concerns us little, but as the habit of dealing in warrants for iron and coal may extend and grow to the same extent as obtains in the cotton and grain trades, it will be worth while for our readers to make a note of the influence future contracts have had on these industries, and take care that the system may not result in a similar depression in coal and iron prices. Trade is quite dull enough without any additional factor to keep prices in the downward direction.

'Commercial Gambling.'

To the Editor of Industries and Iron.

Sir,—My attention having been called to the review in your valuable journal of the 11th inst., relative to my publication entitled as above, I trust you will kindly allow me space to dwell upon one or two of the more important points you raise.

In the first place, you say, the subject I have brought forward is one which concerns you little. This statement rather surprises me, considering the established fact that depression in one industry acts and re-acts, more or less, upon all others; while the enormous gambling in the shape of warrants in pig-iron, copper, and tin have brought about the same disastrous results to their various industries, as has been the case with all others similarly situated, by

artificially raising and then depreciating (or *vice versa*) the values of all commodities, when these gambling institutions have run riot.

I, however, notice on this point with interest your special words of warning to the iron and coal industries, but is not the damage done already by such systems too apparent in the former industry? You will observe that, in pages 82 and 83 of my book, I specially dwell upon the past gambling in pig-iron and copper, with all its consequences. Is it not acknowledged that this system, in the former trade especially, has had a distinct controlling influence on values, and that it has been the means, in the average of years, of permanently depressing the price of that commodity? That the system eventually has done so is certain in all other commodities where introduced, and, consequently, has thereby tended to seriously jeopardise the producers thereof.

While as regards the coal industry, is it not also recognised that, of all our important industries, the prosperity or adversity of this one in particular is principally regulated by the state of the general trade of the country, on the broad theory that this industry is specially dependent upon others, and as a powerful example of such, I point out in page 61 of my book, that during the late cotton crisis in Lancashire, no less than 40,000 tons per week were economised, which means that the consumption of this important commodity was reduced thereby during the period of twenty weeks' strike by no less than 800,000 tons!

Surely this fact concerns all, and especially so, as I further prove that this system of gambling in food products of late years has been one of the principal means of artificially depreciating (as the American nation has acknowledged) the values of wheat and maize to such an extent as to nearly ruin the producer and farmer, and I feel sure you yourself, Sir, will admit, if this is the case, that depression in our national industry can only mean depression in every branch of commerce and industry, as the backbone of every nation's prosperity lies in its home industry.

I trust, therefore, your valuable journal will acknowledge, and see that the subjects I have brought before the public do affect everyone, and consequently the systems I denounce concern all industries and classes who are dependent on the great questions of the day, viz., the present miserable state of trade and agriculture.

Yours, &c.,

Charles W. Smith,

Editor, Whitaker's *Liverpool Trade and Finance Circular.*

August 19th, 1893.

Birmingham Gazette, July 25th, 1893.

The favourable reception of Mr. Smith's 'Original Theories upon, and Remedies for, Depression in Trade, Land, Agriculture, and Silver,' reviewed in our columns a month or two ago, has induced him to issue a companion volume, in which he more elaborately exposes the system of "wind-selling," or dealing in options and futures. As a commercial journalist of thirty years' standing, it has been his business to watch trade developments of every description, and the result of his observation is that trade is being ruined by gambling in market chances; in buying and selling what does not exist, and regulating prices rather by the tendencies of recurring panics than by the old-fashioned influences of supply and demand. Mr. Smith traces the history of the settlement question from the time of its introduction to the present, shows how it operates in a rising and a falling market, and how either affects the ordinary speculator, the farmer (who supplies the raw material), and others interested in land and trade. Originally intended to cover *bonâ fide* transactions, he maintains that the settlement system has become "nothing more nor less than a financial sponge; being, further, an instrument of torture to the 'bulls' and an unfair help to the 'bears' and 'wreckers'—all such knowing and fully realising the way to work the same for their own illegitimate ends." And yet, he contends, this country has not grasped the dire effect it is working upon all industries and the land. His remedy is the absolute prohibition of all speculative selling. He would have Parliament pass an Anti-Future Bill on nearly the same lines as the American Anti-Option Bill. This, he points out, would still enable importers and merchants to move to Europe the crops of the world on the basis of futures, but it would be imperative that the sellers of these futures did actually hold produce at the time the sale of futures took place, and that the produce should be actually shipped and subsequently delivered to the last purchaser; or, as an alternative, the seller must actually get the produce and deliver it if required. The whole option-and-future system he would bring under the operation of the laws against gambling. If severe legislation of this sort does not take place, Mr. Smith argues, corners and manipulations, syndicates and panics will continue to hamper business and ruin legitimate traders by alternately increasing and depressing values by fictitious means. At the end of the volume he answers a number of objections raised, amongst others, by "a well-known public writer" against the abolition of the gambling system. We have sufficiently indicated the

scope of Mr. Smith's work. The author thinks clearly and writes plainly. His theories are the result of practical experience and thorough study, and they are eminently worthy the serious consideration of business men.

Belfast Northern Whig, July 27th, 1893.

Messrs. Sampson Low, Marston & Co. publish a little work by Charles' W. Smith, Liverpool, editor of Whitaker, Whitehead & Co.'s *Weekly Trade, Finance, and Cotton Circular,* in which the author deals with "depression in trade, land, agriculture, and silver." There are some suggestive passages in the book, especially, perhaps, those in which Mr. Smith points out the evil effects which he believes due to the option system and abuse of the clearing-house.

Derby Express, July 21st.

What are the principal causes of depression in agriculture and trade? Mr. C. W. Smith, a well-known Liverpool business man, has published a little book entitled 'Commercial Gambling,' in which he endeavours to show that the present depression from which we are suffering is not due to over-production so much as to the new system of gambling in options and futures which has lately grown up both in this country and America. His argument may be best understood from the action of the American Farmers' Alliance, which insists that the prices of their produce are no longer being regulated, as of old, by supply and demand, but by the values as quoted in the various gambling institutions. Prices, they say, are not regulated by the actual value of the commodity dealt in, but by the necessities of the middlemen, who are not the actual holders of the stuff they deal in. The manipulation and moving of the crops in the United States are explained as follows: first of all, they are sold by the farmers to the factors and merchants. The latter at once sell options, as a hedge against their purchase, to speculative buyers; hence, says Mr. Smith, four crops are thus being made out of one—(1) the actual crop; (2) the artificial crop in the shape of options; (3) the re-selling of these options on behalf of the speculators; (4) the unlimited and artificial crops created by the "bears" and other illegitimate operators. Mr. Smith contends that the extension of this system of speculation to all classes of produce is the true cause of the fall in prices and the depression which has ensued, and he avers that its effects are being felt by all classes of society. The remedy, he holds, is to follow the example of the American farmers, and insist that the British Parliament shall make it illegal to sell speculative futures or options ahead, or forestall the markets in any way of any produce, food products, or commercial commodities, which the sellers do not actually hold in some shape or form at the time of sale.

The Bury Times and The Echo, July 12th.

Everybody, whether they are votaries of the "Dismal Science" or not, is interested, in these days, in trade depression, and nearly everyone has his own peculiar theory of cause and cure. The author of this book has already given us ideas upon the subject in a previous volume, and in this he returns to the charge. For twenty-six years he has been a cotton broker in Liverpool, and he naturally has Lancashire in his mind as he writes. He has nothing to say in favour of those who believe that trades unionism and its result in high wages has ruined the cotton trade. He has seen business methods from behind the scenes. He does not write as a master who has to browbeat a strike committee, and so he frankly lays the blame of trade depression on the shoulders of the cotton speculator. Previous to 1868 there was no speculation in raw cotton, *e.g.,* when one merchant bought cotton of another he was buying material that actually existed. From 1872 to 1876 a system of trading in paper contracts began, so that brokers bought from each other contracts to deliver cotton which had not grown, at purely speculative prices. In fact, they began to gamble on the chances of a good or bad cotton crop. Then the ordinary wires of the Stock Exchange began to be pulled. The bull goes abroad. Holders of this paper stock wanted to sell. Every new seller makes the market worse for his successor, and the consequence is that the value of the actual and *bonâ fide* stocks is reduced down to the panic value of the gambling paper. Thus the market is never steady. Commissions on contracts heap up as they are transferred from holder to holder, and whatever profits are made go into the pockets of speculators.

This system of gambling has given rise to the various attempts made to corner the Liverpool cotton market. The first corner ever attempted was by a German Jew in 1878, and in the succeeding five years he made no fewer than three similar attempts. In 1883 he was cornered himself by another person of the same nationality, and smashed for over £1,000,000, creating a panic in Liverpool, and upsetting for six months all trade in Lancashire. Between 1884 and 1890 five attempts have been made to corner the cotton market, all without success, although the loss to legitimate manufacturers and traders has been enormous, the

town of Oldham alone having lost in 1885 the spending power of £1,000,000. Even when the speculator is not as mad as Morris Ranger, the first great cornerer, he is every day pecking his gambling profits. And so, asks Mr. Smith, "What has Lancashire suffered by all this? Why, simply I trace her gradual downfall and bad trade to this cornering and manipulation." A similar system of gambling is now going on on the wheat and maize markets; and in 1888 a London clearing-house was started by London bankers to gamble in tea, sugar, and coffee. The headquarters of the system is in America, where the speculator in produce has so ground down the farmer that the Farmers' Alliance had to be started to protect the agriculturist. The Alliance has since entered politics, its mission being to point out to the legislators that the price of produce is no longer being regulated, as of old, by supply and demand, but by the values as quoted in the various gambling institutions.

If Mr. Smith is right (and there can be no doubt that he indicates one of the greatest hindrances to Lancashire industry), the remedy is simple. We give it in his own words:—"It is now too late for any private company to take any individual course themselves. A Bill must emanate from our Cabinet Ministers which will absolutely make it illegal to sell speculative values ahead, or forestall the markets in any way of any produce, food products, or commercial commodities which the sellers do not actually hold in some shape or form at the time of sale."

Bath Chronicle, July 20th.

This is a treatise on the principal causes of depression in agriculture and trade. The author, who has evidently had much commercial experience, traces the foregoing to be due in the main to the invention and development (about 1876) in the United States of the system of options and futures in grain and other produce, and their extension rather later to this country. Thus, artificial values are created in stocks which do not exist, and when the process of realisation begins the crash comes, and with it ruin to all concerned. An illustration, although relating to a mineral rather than to grain, which will show clearly the author's view and meaning, is afforded by the notorious "Copper Ring" formed in Paris in 1888, a case which must be remembered. An industrial and commercial society in Paris, guaranteed by a rich French bank, formed a ring, under the operations of which copper was forced up to £110 per ton, falling then to £77 in 1889, and finally to £39 10s. per ton. Of course the ruin that followed was widespread. One result of options and futures is to quadruple the existing stocks and of course to depress the latter by the inevitable fall of prices. In America the results have been so bad that the farmers there have formed the Farmers' Alliance, which introduced a Bill into the Senate and House of Representatives for the purpose of preventing forestalling and gambling in their crops. This is known as the Anti-Option Bill, and the author advocates the passing of a measure on somewhat similar lines by the British Parliament, if all connected with the land and its produce, and who depend upon their values for their means and livelihood, are to be saved from the ruin that is staring them in the face. A Bill must, he urges (p. 86), "emanate from the Cabinet which will absolutely make it illegal to sell speculative futures or options ahead, or forestall the markets in any way of produce, food products, or commercial commodities which the sellers do not actually hold in some shape or form at the time of sale." His view is that the corn and wheat markets, etc., all over the world are governed almost entirely by the speculative markets in America, and he reminds (p. 72) English landlords, farmers, and agricultural labourers "that the value of the option and future gambling contract governs the retail value, that is the value of the produce grown, which the farmer has to sell and upon the values of which all three classes, and I regret to add, the Church, are so entirely dependent."

Mr. Smith, therefore, urges that it is a matter for the heads of the Church, as affecting the clergy, and for the country at large, which "originally made Great Britain what she is." He believes (p. 169) that if an Anti-Option and Anti-Future Bill was passed in this country and in America, 95 per cent. of the population of the world would benefit by it; whereas at present the majority of all classes are suffering by the gambling acts of a very small minority. The book contains a glossary of Stock Exchange terms, and whether the writer's conclusions are agreed to or not, it affords very useful reading and food for reflection to men of every class. That the market gambling is the principal cause of our terrible agricultural depression, agriculturists and landowners may not agree with; at all events they ought to read the book. The book ought to have a wide circulation, and its startling facts and arguments merit careful consideration. If the adoption of his proposals brought back even partial recovery to the suffering landed interest, the author would deserve the highest honours the country could bestow.

Oldham Chronicle, June 8th.

This is a useful work, and makes its appearance at a most appropriate time. The publishers are Sampson Low & Co., Fetter Lane, Fleet Street, and the writer, Mr. C. W. Smith, is an authority upon the subjects on which he treats. He is the editor of 'Whitaker,' and is also the author of 'Original Theories upon, and Remedies for, Depression in Trade, Land, Agriculture, and Silver.' The present volume is an enlarging, as it were, upon the principal subject therein propounded, with a view of explaining the gradual ruin that has been brought about by gambling, not only in options of wheat and corn, but also in those of other produce. The American Anti-Option Bill defines an "option" and a "future" as follows:—"The former is a contract or agreement whereby a party thereto contracts to have or give to himself or another the option to buy or sell at a future time, whereas a future is a contract or agreement whereby a party agrees to buy or sell and deliver at any future time and when he or the person for whom he acts is not the owner of the article." The Bill proceeds to impose a prohibitive license for dealing in options or futures, and a prohibitive tax on the commodity dealt with under either form of contract. In England, says Mr. Smith, there is no difference between an option and a future contract. He proceeds to deal exhaustively with the future, option, and settlement systems, and claims to have proved that as the option and future contracts became more popular in America and England, say from 1876 to 1882, the depression increased; that as the option and future contracts, combined with the registered settlement system, became more common the depression still increased, say from 1882 to 1888, and that since then the depression has culminated in universal depression, because the systems have become almost universal. The following extract deals with the recent strike in the cotton trade, and its connection with commercial gambling:—

Between 1884 and 1890, a period of seven years, we have witnessed no less than five attempts made to "corner" the Liverpool cotton market; first of all by a syndicate of Jews, then, two years in succession, by an American, who came over from Galveston, and lastly, by a Dutchman, in 1889 and 1890. I may mention specially that in 1885 it was estimated that the town of Oldham alone lost the spending-powers of over £1,000,000 by the enforced strike of thirteen weeks. It is needless to say (with the above one exception) that every one of the gamblers named above failed to make his "corner," and the result has been that millions and millions of pounds have been lost by operators in Liverpool, Lancashire, London, the Continent, and other places, by these gambling practices, and hardly one single man that I know of has benefited to the extent of a shilling, while I could produce a list of many hundreds of firms, who either have actually failed, or are known to have lost all their available capital.

And what has Lancashire suffered by all this? Why, simply, I trace her gradual downfall and bad trade to this "cornering" and manipulation, which has gradually upset all theories of commerce, and made it practically impossible for her to condnct her business, not knowing from year to year who was next going to rig the markets, and whether it would be up or down; for, remember, each artificial rise brings about an artificial fall, or *vice versâ*, and hence losses are made both ways, the consequence being that Lancashire spinners have of late years almost been forced to enter compulsorily into the Liverpool market and speculate, with the result that they too have lost enormously, and are largely crippled in some quarters for the time being by their own gambling acts. I don't hesitate to say that during the "corner" years, and owing to their consequences and ramifications, the "corners" must have lost Lancashire, Liverpool, and other capitalists millions of pounds, while the loss in wages alone to the operatives and their families was also simply gigantic. I go further, and state that I believe this fact alone has been the real and principal cause of the difficulty of doing business, and creating bad trade year after year in Lancashire. For from 1878 to 1890, a period of thirteen years, Lancashire has had to contend with no less than eight years of "corners" and manipulations, which have resulted during these seasons in compulsory short time, averaging from four to fourteen weeks. With an Anti-Option Bill passed in this conntry, the basis of all such "corners" in all sorts of produce, &c., would entirely disappear and be made impossible. Even in the present season, as I illustrated in my previous book, cotton has been forced up artificially by speculators 50 per cent., in the face of absolute short time throughout Lancashire, only to fall back again in a state of artificial panic (thus causing enormous losses to all concerned) and lose the greater part of the above rise. Thus the rise and fall are artificial, both having been originally brought about solely by the power of the future contract, based on the settlement system. What is the result in Lancashire? Why, she has had twenty weeks' strike, the largest on record, with 100,000 men and their families out of employment or on half time, while the loss in wages is estimated at £80,000 per week; and the coal and other industries are also seriously affected. It is estimated that the weekly consumption of coal is reduced thereby by some 40,000 tons. It is true this strike was

brought about by a proposition to reduce wages a paltry 5 per cent., and it has been a matter of life and death to the masters to fight it out to the bitter end. But I maintain if the cotton market had not been able to have been manipulated and forced up when the strike commenced, that the masters would have participated in the better trade which their competitors in America and on the Continent were enjoying, and the dispute would have been settled in a month or so.

Such a state of affairs is a monstrous thing to look back upon, and it is intolerable that such a thing is possible in relation to one of our mos important industries. As the Liverpool Cotton Association will not stop it, I must appeal to the legislators of this country to pass such a Bill as America had proposed, with the effect of stopping all pure gambling in futures and options, based as they are on the settlement system, while leaving legitimate speculation untouched. May I ask, Why don't these Americans and other foreigners remain in their own countries, and "corner" their own spinners? Why should they be allowed to come over here, and, by simply placing their names on an office-door, start this nefarious practice, which results not only eventually in their own ruin, but also in that of hundreds of Englishmen, who back them up for the sake of a paltry commission, as well as ruining the various trades they attack, and the working classes who are dependent upon the said industries? The reason is, that the terms of the future contract in Liverpool are different to the option contract in America. In Liverpool future delivery is sold on the "middling" basis, nothing below "low middling" to be tendered. In America it is sold on the basis of "middling," with no clause. Hence any class of cotton can be tendered in America against the option contract, while in Liverpool only cotton classing "low middling" and above can be tendered. Thus it is easy work to manipulate the Liverpool market at the latter part of the season, when the stocks are small, and suitable grades for tendering are comparatively scarce. This state of things has been allowed to remain in force by the Liverpool Cotton Association since about 1878, whilst its oldest members must have recognised its great unfairness to the Lancashire cotton industry.

Bristol Observer, July 29th.

'Commercial Gambling' is the title of a volume by a gentleman who undertakes to point out the principal causes of depression in agriculture and trade. This is much easier done than to suggest practical remedies; but the author (Mr. C. W. Smith) has the courage of his convictions, and makes proposals which, if acted on, would, in his opinion, meet some at least of the trade difficulties which are now experienced. His aim is to set forth the "gradual ruin that has been brought about by gambling, not only in options of wheat and corn, but also in those of other produce, as well as seriously affecting the value of the land that grows these commodities." He strongly denounces the option, future, and settlement systems, and wishes the reader to realise the "curses which these systems have brought upon the world, not only as the basis for moving the crops abroad, but also for importing foreign produce into this country." Mr. Smith believes that if an Anti-Future Bill became law in America and England, every man, woman, and child would feel the benefit of it. The author has had a large business experience, which entitles him to be heard on the subject; and the book on this account, and because of the clear, intelligent way in which the case is stated, deserves the serious attention which has been given to a similar volume from the same pen.

Eastern Morning News, July 17th.

'Commercial Gambling' is the name of an interesting and instructive little work published by Sampson Low & Co. The author is Mr. Charles W. Smith, of Liverpool, who has had thirty-one years' experience in the commercial world, and who has written various works upon commercial topics. It is a doleful tale that he has to tell, contending that the principal cause of the present depression in trade is due solely to gambling in future options, a system which results in constant depression in prices, and renders a natural flow in markets impossible. The writer contends that it is hopeless looking for a brighter future unless such a law is passed in this country and in America as has just been proposed in the latter country under the title of the Anti-Option Bill, and which would make it illegal for a man to sell what he has not got. The work is of great interest, not only to the commercial world, but to all producers and to those connected with the land, or having dealings in grain or other produce.

Colchester Gazette and Belfast Northern Whig, August.

In 'Commercial Gambling' Mr. C. W. Smith, of Liverpool, enlarges on the slashing indictment of the future, option, and settlement systems which he made in his recent pamphlet. It is a book well worth the attention of all engaged in commercial pursuits.

The Evening News, July 21st.

Mr. Charles W. Smith desires to see similar legislative action in Great Britain, and people who wish to understand the evils of speculative business in the prime commodities of life should read a book he has just issued through Messrs. Sampson Low, Marston and Company, on 'Commercial Gambling.' Mr. Smith's experience of business appears to have been chiefly in Liverpool, and his book deals largely with gambling in the cotton trade. But he takes broader ground, and attributes depression in agriculture and trade generally to the gambling evil. The cotton strike of last year, which placed 100,000 men and their families out of employment or on half-time, and spelled a loss of £80,000 in wages to the operatives, he traces to the manipulation of prices by speculators. He argues with much force that since the Liverpool Cotton Association does not check gambling that has so dire an effect upon the prosperity of the masses, Parliament should stop all speculation in futures and options on the settlement system. The same arguments with regard to cotton are applied to wheat, sugar, coal, and other commodities. Whether legislation that would be workable and effective could be framed so as to make the operations of the cornerer, rigger, plunger, and wrecker unsuccessful, is a question that might usefully engage the attention of a Select Committee of Parliament. The fact is obvious that these persons cause great social mischief. Fortunately they ruin themselves sooner or later. This consolation at least may be derived from Mr. Smith's pages.

Belfast News Letter, July 20th, 1893.

'Commercial Gambling,' which has just been published by Sampson Low, Marston & Co., should be of great interest and of not a little value to the commercial world. The author, who is a man of great experience, as the editor of a well-known weekly trade circular, has bestowed much care and thought upon the elucidation of his theories. Although there may be many who will not altogether agree with Mr. Smith's deductions, none will deny the accuracy of his facts. The depression in many markets, notably in cotton and grain, Mr. Smith asserts, and with good reason apparently, to be frequently due to the evil system which, coming from America, has crept into British commerce. That is the system of buying for future deliveries, and of option and settlement contracts. The author states it as a matter of knowledge "that there are crowds of other sound business men in this country who like myself have traced the origin of the present state of things to the system I denounce, and would hail with delight the fact of an alteration in it." That this abuse should be made the subject of legislation in Great Britain, as is at present being done in America, with a view of minimising the evils of the system, Mr. Smith considers imperative. He contends that legislation should "make it illegal for a man to sell what he has not got, and thus take it out of the power of any man or syndicate to depreciate, by such artificial selling, other people's property." Were the standard of commercial morality what it should be this would be a self-evident proposition. The careful perusal of this little book should show any thoughtful man that the steady practices of a class of speculative business-men who enter into large engagements trusting to the fortune of trade to bring them out safe, is dangerous to the speculator as well as being most unfair to the producer. We wish Mr. Smith every success in his crusade. The book abounds in carefully collated statistics, and is full of useful information.

The North British Daily Mail, September 18th.

'Commercial Gambling' is a volume which may, perhaps, best be described by quoting the following extract from the author's preface. He writes:—"The book which I had the pleasure of bringing before the public recently, entitled, 'Original Theories upon, and Remedies for, Depression in Trade, Land, Agriculture, and Silver,' having excited a far greater interest amongst all classes than I had ever even hoped for, I am in consequence carrying out my promise made in the preface thereof, by enlarging and dwelling upon the principal subject I therein propounded, so as to explain the gradual ruin that has been brought about by gambling, not only in options of wheat and corn, but also in those of other produce, as well as seriously affecting the value of the land that grows these commodities." The work may arouse controversy, but it is one of a kind that can hardly be ignored.

Daily Chronicle, September 20th.

In this little book a Liverpool commercial man, of some thirty years' experience, runs a vigorous tilt against the option, future, and settlement systems as applied to commodities. Not long ago public attention was drawn to this illegitimate method of trading by the proposal that *Parliament should render illegal the gambling in iron warrants which was conspicuous*

chiefly at Glasgow, but nothing came of it. Mr. Smith, who devotes his attention mainly to the effects that these transactions have upon produce, is not, however, without hope that legislative action may be secured to put an end to those "rings in cotton" and "corners in corn" with which we are all more or less familiar. He gives a clear and concise description of the nature of the operations in question, so far as the daily markets are concerned, but goes further to show how the raids of "bears" upon speculators who buy without intending to demand delivery, must result in a depression of prices which is, commercially speaking, as unnatural as it is ruinous to the farmer or other producer. By way of illustration, a story is told of a certain broker who held about £2,000,000 worth of produce in the shape of future contracts, whose creditors, to save "their own financial necks," imitated the Bank of England's action of 1890 after the Baring collapse—a patch-up, by the way, from which it is not too much to say our money market has not yet recovered. As a remedy Mr. Smith asks for a parliamentary measure to be called the "Anti-Future Bill," on nearly the same lines as the American Anti-Option Bill promoted by the farmers. He argues well in favour of such an important step being taken, if only on the ground that it would "take it out of the power of any man or syndicate to depreciate, by such artificial selling, other people's property." In this connection he is careful to show the difference between the "legitimate bull speculator," who would only have to deal with the limited supply of importers' future contracts, and the present swarm of operators, who under such a Bill would find their "bearing," "scalping," and "plunging" occupations gone. The volume contains a convenient series of questions and answers on the subject in hand, and a concise "summary of facts," and although, of course, it is too much to expect that such a radical work will be universally welcomed, the arguments put forth are well worthy of serious consideration.

Leicester Daily Post, July 20th.

'Commercial Gambling' is designed to explain the gradual ruin that has been brought about by gambling—not only in options of wheat and corn, but also in other produce. Writing with all the authority of thirty-one years' experience in the commercial world, Mr. Smith clearly and ably points out the origin and real character of our modern speculation in options, futures, and settlements; and shows that so far as large classes of produce are concerned, these innovations have materially checked the free play of the law of supply and demand, and have inflicted incalculable damage on the community at large. But Mr. Smith does not stop short at negative criticism. He cogently points out that the only true and adequate remedy is to be found in the passing of an Anti-Future Bill on nearly the same lines as the American Anti-Option Bill. Many may be doubtful as to the efficiency of any safeguard that can be suggested. On one point all will be agreed. Whatever may be the differences of opinion on the various questions raised, there should be a general admission as to the ability with which Mr. Smith marshals his evidence and formulates his case. Under these circumstances he is certainly entitled to the thanks of all who are interested in minimising the evils of an undoubtedly most prejudicial form of modern gambling.

Hereford Times, July 15th.

This work, of such vital interest to farmers and all interested in land, should be widely read. Mr. C. W. Smith brings to bear over thirty years' experience in the commercial world, and his theories are deserving of attention. He makes a very strong attack upon the future, option, and settlement systems, and proposes a remedy. His first step towards a remedy would be (in his own words) "to do away with, in England, by making them illegal, speculative selling of all classes of produce, for reasons given in this and in my previous publication, in plain language, make it illegal for a man to sell what he has not got, and thus take it out of the power of any man or syndicate to depreciate, by such artificial selling, other people's property. The remedy for England, therefore, I should propose would be to bring in a Bill called an Anti-Future Bill, on nearly the same lines as the American Anti-Option Bill." Mr. Smith then dwells upon the working of such a Bill in England, and points out how it would affect all parties. The work is an important one, and the author goes into the subject of commercial gambling very thoroughly.

The Star, July 8th.

'COMMERCIAL GAMBLING.' [*Extract.*]

Mr. Charles W. Smith, of Whitney Court, Herefordshire, in giving to the world a little volume with this title has taken upon himself the task of proving by the results of his thirty-one years' experience in the commercial arena, that the depression in agriculture and trade is traceable to the institution of the present system of dealing in futures and options in the

produce exchanges. For twenty-six years Mr. Smith was actually engaged as a produce broker in Liverpool, during which period he boasts that he never once speculated on his own account. But since he has retired from active business, and has no clients' interests to look after, he considers that he is entitled to bull or bear to his heart's content, and threatens to continue to "sell what he has not got to a fellow who does not want it" whenever he sees his opportunity of making money by so doing, thereby constituting himself one of those "detestable bears" whose game is to artificially depress other people's property, and whom he now proposes to stop in their illegitimate proceedings by urging forward the absolute necessity of legislation in the shape of a Bill called an "Anti-Future Bill." The author makes no apology for speaking plainly and explicitly, so that not only the non-commercial world, but the farmer, landlord, and working classes may realise "the curses which have been brought upon the world" by the system of dealing for a market settlement. We do not wish to suggest that Mr. Smith is a monomaniac, but there is no shutting one's eyes to the fact that he takes very extreme views, and makes astoundingly sweeping assertions, which in themselves must necessarily raise some doubts as to the soundness of his judgment. But even if we cannot agree with Mr. Smith's reasoning, the thoughtful reader will derive some useful hints from the perusal of his book, remembering that his deductions must be taken *cum grano*.

[*Note by Author.*—In both my books I have plainly and straightforwardly stated I have been a chronic "bear" for years. In my opinion it was the only way to make money in business, and remain solvent. There is nothing dishonourable in being a "bear," but I fully acknowledge the curses of their operations. Hence wish to stop them by legislation before they are the ruin of the world.]

Liverpool Mercury, July 12th.

This is by a gentleman who writes after thirty-one years' experience in the commercial world, and after having been editor of *The Weekly Trade, Finance, and Cotton Circular*. The work involves what many will consider a complete exposure of the "Future, Option, and Settlement Systems," and will be found to throw much light upon the question why so much of our produce, and even the land itself, should be affected by rash speculation.

Surveyor, September 21st.

'Commercial Gambling' has been written by the author—Mr. Charles W. Smith, Liverpool—with the object of indicating the principal causes of depression in agriculture and trade, as seen after thirty-one years' experience of the commercial world. Some time ago we noticed in these columns a smaller publication by the same author, entitled 'Original Theories upon, and Remedies for, Depression in Trade, Land, Agriculture and Silver,' and we are told that the present work is due to the interest which has been excited by the previous one, and to quote the author's own words: "I am in consequence carrying out my promise made in the preface thereof, by enlarging and dwelling upon the principal subject I therein propounded, so as to explain the gradual ruin that has been brought about by gambling, not only in options of wheat and corn, but also in those of other produce, as well as seriously affecting the value of the land that grows these commodities." The book contains many acute reflections upon a great and growing evil.

The Glasgow Herald, July 20th, 1893.

Whatever experience the author of this confused work has had in commerce, he has had none in literary composition. The style of the book is that of a junior clerk, and the matter necessarily suffers in consequence. One great fault of the author is that he is perpetually referring, even on the most trivial points, to some other book he has written, and which he complacently assumes every reader must possess and cherish; and another fault is that he is constantly mentioning something or other to be "hereafter fully explained." Such appeals to the past and the future are not conducive to lucid treatment, nor to the equanimity of the reader. Here is an example of his style—"As I stated in my previous publication, (p. 61) it has been graciously ordained by Providence, that a full supply of all sorts of produce can and must be grown in all parts of the world to meet the constantly increasing population, and on such a basis, as enables all classes to participate in the enjoyment of the same." His contention is that speculations known as options and futures in cotton, wheat, sugar, and other produce are the main cause of agricultural and trade depression. "As regards the Clearing-House and settlement in the corn trade in Liverpool, they are of recent date, which clearly shows to my mind that the present great depression is due largely to this system, and the new class of business done, combined with the financial weakness, affecting as it has done the past few years the majority of speculators through the Clearing-House (as fully explained on p. 20 of

my previous book), and accounts, as I shall prove afterwards, for the undue low prices at present existing." Well, he does *not* prove it, nor could a much more skilled logician prove that a recently-established clearing-house accounts for successive waves of depression in past generations. The present depression is not different from other experiences in the past, and speculation has been associated with commerce since the beginning of the world. We are not concerned here to discuss the ethics of such operations as the author condemns. The point at issue is, whether or not they prejudicially affect the world at large. Is it the fact, as Mr. Smith alleges, that the prices of produce are no longer affected, as of old, by supply and demand, but "by the values as quoted in the various produce gambling institutions"? Is it not the case that speculation in produce is itself affected, actuated, and controlled by the fluctuations of supply and demand? It may be the case that "the values of the wholesale gambling markets regulate the values in the retail markets," but the ultimate standard is, and must always be, the ratio of supply to demand. Even if the author's argument were sound, that the speculations of the produce exchanges persistently keep prices at a lower level than they would reach were there no speculation, is not that for the advantage of the consumer, which is to say the major portion of the world? But the author gives himself away on this point, for the whole substance of his argument is to the effect that the decline in price, caused by the speculators, is *after* the produce leaves the hands of the farmer. The depreciation for the general benefit is thus at the expense of a succession of speculators, not at that of the producers. Why should we try to muzzle and restrain these involuntary benefactors? Surely neither Parliament nor people will consider Mr. Smith's suggested "remedy" a wise one—viz. an Act to make illegal speculative selling of all classes of produce. The book strikes us as being as foolish as it is ill-written.

'Commercial Gambling.'

To the Editor of The Glasgow Herald.

Sir,—My attention has been called to a review in your issue of the 20th inst. relative to my book entitled as above, and as the same contains so many conclusions which are at utter variance with the contents and views put forth in my publication, and which consequently must be utterly misleading to your readers, I trust you will give me an opportunity of pointing this out clearly to them.

I may remark, the style of your review bears out the idea, that it emanates from one who is not conversant with the subjects I bring forward as a cause of depression in agriculture and trade, and consequently I am personally not surprised at the conclusions the article arrives at, being fully aware there are many men to whom the subjects are entirely foreign, and especially those who have never had any actual experience in the working of the systems I denounce. The strongest evidence I can put forth to prove that the writer of your review is one of them is to acquaint you that your paper stands alone in condemning my book.

Let me refer you as evidence of such to the 100 reviews and leading articles, &c., that have already appeared in the leading agricultural, financial, and commercial papers.

I may remark not one word of condemnation in any of them, but just the reverse. Not that I object to adverse opinion, but I do expect fair criticism, *even from those quarters where commercial gambling has been allowed to run riot irrespective of all consequences*; while as regards the gentleman who penned your review, I feel sure, if he will only read the book more closely, as well as study the other independent articles, he will come to a different conclusion, and join in the verdict of some of the principal papers already referred to, by agreeing with them, that some legislation is necessary (as the American Government has found out) to mitigate the serious injury this excessive gambling in produce and food products has entailed upon all *bonâ fide* traders and legitimate speculators, as well as tending to ruin not only the producer, but also the land that grows the various produce.

It is solely with the object in view of exposing these systems, that I have ventured to bring this subject before the public in book form, and, in fairness to myself, I trust you will give this letter the same publicity in your journal as your review in my book has had, which I think you yourself, Sir, on reflection will see is written in such a style which will mislead your readers as to the real object I have had in issuing a book, in what I believe, after thirty-one years' experience in the commercial world, to be one of the original and principal causes of depression in agriculture and trade.

July 26th, 1893. Yours, &c., Charles W. Smith.

The Stock Exchange, August 26th, 1893.

We have reviewed a goodly number of books in our day, but we confess we never came across one of such surpassing excellence as this. Mr. Smith, "after thirty-one years' experience in the commercial world"—Mr. Smith, editor of Whitaker, Whitehead & Co.'s *Weekly Trade, Finance, and Cotton Circular*—Mr. Smith, the author of that famous work

entitled 'Original Theories,' &c.—has presented his contemporaries with a book that will for ever occupy a place by the side of 'The Wealth of Nations,' written by his great namesake—has merited the everlasting gratitude of humanity—has made the name Smith famous for all time to come. As a store of facts, the writer's memory must be as vast and retentive as that of Adam Smith (*Note:* May we ask whether Adam was Mr. C. W.'s grandfather? If so, we would have one of those few instances where genius is hereditary.) And, as far as lucidity goes, even Mill is nothing compared with C. W. S., as the following sentence from the preface will show:—"I trust the remarks I make will not be taken as personal; but, to write fully on such an important subject, I must be plain, straightforward, and explicit, so that not only the non-commercial world, but also the landlord, farmer, and working classes, can fully understand the subject, and, I trust, realise the curses the option, future, and settlement systems have brought upon the world, as I have done for many years past since they were introduced, not only as the basis for moving the crops abroad, but also for importing foreign produce into this country." But no, we must not go on in that strain. Mr. C. W. Smith seems to be just the person on whom irony would be wasted. Let us tell him, in plain language, that a worse book than his latest never was written; that it betrays absolute lack of familiarity with the elementary principles of economics; that it gives evidence of a deplorably narrow mind with at the utmost one *idée fixe*; that the author, before he rushes into print again, had better first learn English, in order that he may avoid expressions like "financial impecuniosity" (p. 24, fifth line). And when Mr. Smith knows how to write his mother-tongue let him *think*. He will then probably find out that speculation in produce, bad though it is, does not cause a lasting depression of prices. The latter have been brought down by increased facilities for production, and are regulated by supply and demand. Speculation rather promotes a quick distribution of produce than otherwise. Oh, dear—oh, dear! everybody writes a book nowadays!

'Commercial Gambling.'

To the Editor of The Stock Exchange.

Sir,—I have read with pleasure the satirical review in your paper *re* my publication entitled as above, *and, considering the source from whence it comes, I take it as the greatest compliment you could pay me.* Your remarks can only tend to prove to your readers, that I have driven the nail well home by exposing the curses brought about by these pure and simple gambling transactions, which are now well known to form, both in our Stock and Produce Exchanges, by far the largest proportion of transactions, and, in consequence, are a libel on the name of commerce or business, for by them the *bonâ fide* investor, trader, and producer is placed at the tender mercy of the gambler by having his property turned daily into the game of battledore and shuttlecock.

I may mention that out of over one hundred reviews on my books, yours (with one or two exceptions) stands out alone in its condemnation, showing conclusively that the gentleman who is responsible for the writing of it *either knows nothing about the subject, or else forms one of those whom I especially denounce in pages* 89 *to* 96 *of my book re Stock Exchange gambling*; and, reading between the lines of your review, your readers will admit there are sound grounds for either of these assertions; hence the feeling of animus and ignorance displayed on a subject which the most influential papers of England have already acknowledged to be one of the very greatest importance. Hoping you will give this letter the same prominence in your paper as your reviewer has had,

Yours truly,
Charles W. Smith,
August 29th. Editor of *Whitaker's Trade and Finance Circular.*

Financial Observer, July 22nd.

Mr. Smith writes with the authority of one who has had "thirty-one years' experience in the commercial world," and who moreover edits certain old-established business periodicals. He shows in a very conclusive manner the tremendous evil which is wrought to trade by the extensive dealings which go on in options and futures, which he accurately characterises as gambling. To take one instance alone, these operations are mainly responsible for the great fall in the price of wheat—a movement which affects all mankind. "My theory," says Mr. Smith, "is, that while Providence has given the world larger crops, which are now an absolute necessity for the requirements of the world, owing to the yearly increasing population, man, by acts of laws and schemes of his own the past fifteen years, has gradually undone all the good that Providence intended to bestow upon mankind." Our author's style is not especially polished, but it is that of a practical man. We commend his work to the notice of business men and laymen alike.

Statist, July 8th.

This work is a denunciation of operating in produce and the advocacy of a Bill to be "called an Anti-Future Bill, on nearly the same lines as the American Anti-Option Bill." As to Lancashire, the author says: "Why, I simply trace her gradual downfall and bad trade to this cornering and manipulation," &c., &c. In this last remark there is much truth with some amount of exaggeration.

Bullionist, August 12th.

This book devotes itself to exposing the plans and operations of speculators in options and futures of agricultural and trade productions. Mr. Smith points out many ill-effects of such methods, and easily convinces us of what was well known before, to wit, that the speculator is the trader's worst friend. The glossary of technical terms will be very useful to juvenile writers who desire to make a show of inside knowledge.

The Financial Times, July 7th, 1893, *and Rialto, June* 8.

'Commercial Gambling.' [*Extracts.*]

When an intelligent man after a long experience of business life sits down in the study of his country retreat with the full purpose of writing a book on our commercial system we may feel a little alarmed, but we expect that he will have something to say worth the hearing. Very possibly the book will not be brilliant, but this is no great fault, because brilliancy in writers upon business matters is regarded with something like distrust, as being not unfrequently accompanied by lack of judgment. We can dispense with brilliancy them, but what we do look for is sound common sense, as little prejudice as possible, and the power of correctly generalising from experience. These ideas are suggested by the appearance of a volume bearing the following comprehensive title: 'Commercial Gambling: the Principal Cause of Depression in Agriculture and Trade. Written (after thirty-one years' experience in the Commercial World) by Charles W. Smith.' It may be said at once that Mr. Smith's work contains a good deal of interesting information, though it is possible not to agree with some of his views, and we may go further and add that the author has achieved the rather rare distinction of combining amusement with instruction. The amusement may not be intended, but it is to be found all the same, and the relish is increased by the lack of premeditation. We may also add that there is a tinge of something very like monomania in the book which leads occasionally to some diverting tilting against the windmills, though in fairness it must be admitted that much more often the author runs a good course against abuses that are something more than mere whirligigs of the brain.

Speculative dealing in options and futures is the subject of Mr. Smith's work and the object of his wrath. He calls these dealings "commercial gambling," and we have no objection in life to such plain speaking. Nor is it to be denied that operations of this nature, particularly when applied to food products and great industrial staples whose fluctuations directly affect large masses of population, are a great evil if carried too far. The subject has before now occupied the attention of legislators in one or two leading commercial countries, and it is likely to occupy it again. But the excessive difficulty of stopping the abuse that is too often made of the privilege of option and future dealing, without, at the same time, checking the free play of markets is such that a remedy has yet to be found that may not possibly be worse than the disease. Mr. Smith can scarcely be said to have found it. The question has of late been very much discussed in the United States, but we know that the House of Representatives has refused to pass the Anti-Option Bill, although there was a majority for it in the Senate. Mr. Smith weakens his case by attributing almost every evil from which commerce and agriculture suffer to over-speculation. He sees the trail of the serpent over all—even where the average intellect can detect nothing but the natural action of economic forces, such as supply and demand, which would have produced the same result, speculation or no speculation. Even the Church of England has been disastrously affected by commercial gambling, *pace* Mr. Smith; not, as might be supposed, by reason of the speculative propensities with which some few parsons are afflicted, but simply by the fall in land values which he attributes almost entirely to this cause. "Therefore," says our author, after showing how English landlords, farmers and labourers are injured by gambling contracts in New York and Chicago, "it is most important, not only for the above three classes, but also for the heads of the Church, to know that the said gambling in the produce on which the bulk of our clergy are now almost entirely dependent upon for their living, should realise the fact that they, too, are being made sufferers to the same extent as others, and from absolutely no fault of their own." The grammar is erratic, but the meaning is clear. And he urges our legislators to pass an Anti-Option Bill in

order to save the Church. It is false to say that the depreciation in land values is wholly or even in great part owing to speculation in grain futures. Obviously it is at bottom due to the fact that wheat can be grown cheaper in America than in England, and that supplies from across the Atlantic can so rapidly and readily be placed on the market. Corners and future dealings may and frequently do deflect values from the true line fixed by supply and demand, but the effect is only temporary, and in the long run the latter causes are bound to determine the level of prices. If an Anti-Option or Anti-Future Bill were passed in this country and in the United States to-morrow we doubt very much whether land in England would improve a shilling an acre in value at the end of a twelvemonth afterwards.

However, all said and done, we cordially agree with Mr. Smith that commercial gambling of this class is provocative of much evil, and if he succeeds in opening the eyes of people to the damage that is often done by these unprincipled cornerers of the necessaries of life, he will have done good service. Only it is just as well not to run away with the idea that swallowing the anti-option prescription will cure all the ills of commercial life.

NOTE BY AUTHOR.

Land, having been the last to feel the effects of depressed agriculture, would doubtless be the last to feel the benefit of a natural rise in the price of wheat and other cereals. But, if the values of such commodities were on a higher level, I maintain land in time would also feel the effects of same, and rise in value as a natural consequence. It is well known our clergy, and consequently our Church, have suffered terribly through the depreciation in values of wheat, &c., &c.

The Times of India, September 7th.

The Anti-Option Bill, which caused so much agitation and discussion in America early in the year, and which was finally "shelved" last March, has apparently secured a very warm supporter in the author of 'Commercial Gambling,' a very interesting book which has recently been written by Mr. Charles W. Smith, the author of 'Original Theories upon, and Remedies for, Depression in Trade, Land, Agriculture, and Silver,' and a well-known member of an old established firm of brokers in Liverpool. The author has had over thirty years' experience in the commercial world, and having retired from active business appears to have spent some of his spare time in writing a second book giving his experiences in connection with what he terms 'Commercial Gambling,' and the remedies which he considers necessary to put a stop to the enormous amount of speculation which is carried on nowadays in all kinds of produce, to the detriment of legitimate trade. He endeavours to prove that the present system of speculation in various articles of produce, such as cotton, wheat, maize, sugar, coffee, &c., without any intention whatever on the part of the operators to either give or take delivery of the articles dealt in, is the principal cause of depression in trade and agriculture. His book is certainly well worth perusal, and though he may not have stated anything that is actually new to the commercial world as regards the way in which these speculations are carried on, his facts and figures will, we think, certainly be read with interest, and perhaps with surprise, by many readers who are not in the secrets of the trades he specially refers to. It seems from what he writes that he considers the introduction of what he styles the "option and future contracts," combined with the registered "settlement system" in America and England, has been the chief cause of the enormous increase which has taken place during the last few years in speculation in produce generally, and he traces the numerous attempts at "corners" that have been recorded in recent years to the same system, insomuch that it facilitates operation in "paper" contracts. The "settlement system" in connection with the various clearing-houses which are worked by Produce Associations in America and England appears to have been originally introduced with a view of protecting financially legitimate operators in "futures." The object was therefore a good one, but according to Mr. Smith it has since been considerably abused. Under the old system—and the one which we believe is pretty general in India, and is often complained of—no differences were due on future contracts until the produce had actually been tendered, or until the due date of the contract, and as contracts were often made for delivery five, six or even eight months ahead the differences due on them were allowed to go on accumulating, and naturally often amounted to very large sums when the time for settlement arrived. If either party to such contracts were unable to fulfil his part of the contract on the due date, the *whole* difference fell on the shoulders of the other party, and it was to avoid this, or rather to reduce as much as possible the amount due for differences at one time, that the settlement system was introduced. The system provides for *daily* settlements of differences between buyer and seller in some markets, and for weekly ones in others, such as "cotton futures," so that on the due date of the contract the amount due as difference is considerably curtailed. The introduction of this system has naturally placed contracts in "options" and "futures" on a much safer basis for operators, and since the risks of loss by failures have been reduced the so-called "outsiders" have been attracted to "produce options" as a means of speculating. They apparently buy and sell in large lines

simply for the sake of having a so-called spec, and have no intention whatever of actually handling the produce bought or sold—all they are prepared to do is to pay or receive the difference due on their contracts. Mr. Smith enters more fully into the details of the question than it is possible for us to do here, and he seems quite convinced that this "Settlement system" is being much abused, and put to a purpose it was never made for, and is in fact a great hindrance to legitimate trade, as it tends to reduce the price received for his produce by the farmer—and he seems to think it essential for the good of trade generally that this system should be stopped by an Act of Parliament on similar lines to the Anti-Option Bill in America. He apparently does not wish to stop "Future" contracts altogether, providing the seller is prepared to *tender* what he sells, and he seems alive to the fact that for legitimate purposes of trade it would be advisable to allow *bonâ fide* merchants to sell "Futures" so as to meet the demand from consumers who wish to cover their forward sales of the manufactured articles. There can be little doubt that the majority of merchants must view with dissatisfaction the numerous attempts at making "corners" in produce, and the constant manipulation of the "Future" markets by speculators, and it is quite possible that there may be room for some improvement in the Rules and Regulations in "Future and Option" contracts. But we suspect there are many who will not consider it advisable to ask for Government interference in such matters. The legislation he advocates would, he thinks, have the effect of securing much better prices for the farmers for their produce, but though his conclusions may receive support in some quarters, there is little doubt that many people will hold to the opinion that supply and demand would have more to do with regulating the price of commodities than the stopping by legislation, if that were possible, of the practices he complains of. One thing an Anti-Option law would evidently do would be to reduce very considerably the amount earned in brokerages and commissions by the numerous firms which at present owe a large amount of their annual income to the fact that the present system of dealing in "Futures" is a safe enough one to attract men of capital who, according to what Mr. Smith writes, have during the last few years turned their attention to the Produce markets, and speculated freely in "Options" instead of on the Stock Exchange. It is pretty evident that commissions and brokerages paid on the various Produce Crops must amount to something very large, as we see Mr. Smith calculates that in the aggregate the crops of the world are turned over on paper, in the shape of stock Futures and Option contracts, forty and even more times, and he states that he has seen crowds of contracts having 50 to 150 names attached to them, the result being that commissions on those contracts have amounted to 30·75 per cent. on the entire value of the produce itself represented. The fact that these large commissions are apparently due to members of the various associations which are connected with the Settlement system goes far, we should think, to explain why, as complained by the author, his proposals have not met with the success he considers they are entitled to. A few pages of the book are devoted to India, with a view of showing that the native traders in India have recently become infatuated by this new form of gambling, and the result has been enormous losses to those who have been tempted to deal in Options and Futures. Bombay merchants will be able to judge whether this is the case or not, and whether the natives who have speculated in Futures have done so with anything in the shape of cover on this side. The book touches on other topics connected with the same subject, but we have probably said enough to induce those who are interested in these matters to read it for themselves.

Sydney Morning Herald, April 23rd.

NEW SOUTH WALES.

Mr. Charles W. Smith, of Liverpool, who is editor of Whitaker, Whitehead & Co.'s *Weekly Trade, Finance, and Cotton Circular*, publishes 'Original Theories upon, and Remedies for, Depression in Trade, Land, Agriculture, and Silver' (Sampson Low). Mr. Smith has had thirty years' experience in the commercial world, and as a review of facts his little book commands attention, but his views have not the breadth nor do they show the trained reasoning power of a social economist. He touches on over-production, bimetallism, the shrinkage of values, and other burning questions, and if his "Remedies" do not seem conclusive, we are at least heartily with him when he declares the gambling and speculative craze to be ruinous, and enjoins more national thrift.

Extracts of letters received from "The Berlin Farmers' Alliance." Berlin, August 1893.

DEAR SIR,—I have never seen such a good exposition of the system of gambling as you give in your book.

Your indefatigable crusade against gambling of so many years, both as regards corn and cotton, &c., is sure to command the sympathy of all farmers here.

The arguments contained in your book will form subjects for debate in our next conference, and will be freely quoted from.

We shall take the liberty of availing ourselves of your kind offer and willingness to give us further information and to support us with your interesting experience.

I hope that the proposals your book contains against the future system may soon be recognised by the Imperial Parliament of Great Britain.

Yours, &c.,
THE DIRECTOR.

To C. W. SMITH, Esq., Author of 'Commercial Gambling.'

Letter from the paper "Bund der Landwirthe" (i.e. *Union of Farmers*).

Berlin, 23rd October, 1893.

DEAR SIR,—In reply to your kind favour of 8th October, 1893, we beg to inform you that the "*Bund der Landwirthe*" has always endeavoured from the very commencement to expose the irregularities on the Produce Exchange, and to oppose the thoroughly objectionable "future" business, acknowledged as such even by really honest German traders, in order to have it abolished by law.

The German farmers consider as their worst enemy the Corn Exchange of to-day—in which the speculators possess the power to artfully arrange the prices, and, by so doing, not only injure the consumers, but also producers.

It is therefore of great interest to us to learn that you are also striving in a most energetic manner to have the "future" business abolished from the English Exchanges by an Act of Parliament.

Wishing you much success in your mutually useful endeavour to do away with this deep-rooted cancer in the modern international trade,

We sign, with most humble respect for the proprietors of the "*Bund der Landwirthe*,"

To CHARLES SMITH, Esq.

The Chairman,
(Signed) VON PLANITZ.

The Director,
D. V. H. SUCHSLAND.

EXTRACTS FROM GERMAN AGRICULTURAL PAPERS.

Reform of Exchanges, Berlin, June 2nd, 1893.

We hear that the Minister of Commerce has the intention of working out a Bill for the reform of business done on Exchange, on the basis of the results of the "Börsen-Enquete-Commission." Even in Exchange circles voices have been raised, which admit the partially untenable state of affairs and abuses, and consider a reform advisable.

This admission is of great value to us, as in farmers' circles and other producing classes the doings on "'Change" have been condemned for a long time. If it is remarkable in itself, that speculators, who have no immediate interest in agriculture proper, should decide prices and the weal and woe of the producing class, it is a truly painful phenomenon, discreditable to our century of culture and humanity, that frequently the lowest means are used in the service of the grossest egotism and the wildest speculation to rob the defenceless people.

A nation which would suffer this for any length of time must be approaching its decay. Let us hope that the German nation has not yet sunk so low, and is still capable of throwing off the poison.

THE INFLUENCE OF PRODUCE EXCHANGES ON PRICES OF CORN.

Berlin, 9th May, 1893.

The causes of the price of grain being so extraordinarily low is the advance artificially produced two years ago. At a price of 240 marks for wheat and rye at a time when German agriculture had no longer large stocks, corn was imported from all parts of the world into Germany. Last year we got rye from Africa, aye, even from China, a country of which it was not ever known before that it produced rye. During my sojourn in the Argentine Republic two years ago, I saw that this country, which is four times as large as Germany, and only has as many inhabitants as Saxony, exported so much wheat that one fine day it closed the River Plate to prevent any more corn being exported, before it was ascertained that they were keeping enough corn for themselves. But not only the Argentine Republic, but also the United States of America exported enormous quantities of corn to Germany last year; as far as I know, four times as much as the average of the preceding ten years. This vast quantity of corn had come to Germany up to Christmas 1891, and instead of the expected renewed advance taking place at the new year of 1892, we were told by Berlin that we had made an

awful mistake. How many an honest farmer believed, if corn is so dear during the harvesting, how much dearer will it be when there is really scarcity of it? He kept his corn, and finally had to sell it at a very low price. Who profited by the high prices of corn? Only foreign countries and the Berlin jobbers. It is of great value to us that our conception of the disastrous doings on the Produce Exchange is being confirmed by the circle of corn merchants themselves. Should German agriculture suffer any longer that jobbers and jobbing should lead it to ruin?

THE TRUE CAUSE OF HIGH PRICE OF BREAD IN 1891.

Berlin, 9th June, 1893.

All farmers know that for the last few years the prices of the Berlin Produce Exchange have ruled the prices of wheat in all parts of the Empire. But very few farmers will be aware how much the members of this Berlin Exchange, by means of their free and independent position, *abuse* this actual privilege of making prices for agricultural produce, in order to fill their own pockets. The varying yields of the individual years are used by speculators, who are in preponderance over the *bonâ fide* corn-merchants on Exchange, for purposes of a boundless corn-future business for the nearest future, of veritable gambling, in order, as it may suit them, to artificially push up prices or to greatly depress them, and thereby obtain large gains. We should be going too far if I were to enumerate the swindling manœuvres and means of which the speculating parties on Exchange make use in creating these artificial prices for corn. We only remind you of 1891, when the jobbers on the Berlin Produce Exchange, in order to sustain the price of corn, even artificially emptied the granaries, flung away corn to foreign countries, and, further, intentionally did not deliver the corn bought, to the market-place. It is a fact that in this year one single much-talked-of, much-hated Berlin corn firm made 8 *million* marks in a few months in differences, charges, &c., owing to their extensive engagements. It is further a fact that, in consequence of the artificial prices of speculators on the Produce Exchange, prices of corn reach their lowest level in those months when farmers have to sell their corn, and their highest level when the farmer has no more to sell. The consequences are that, thanks to the greed of speculators, 5 million German farmers do not get the prices for their corn which they ought to, and that, on the other hand, that part of the population which buys flour and bread must pay more than is warranted by the natural state of affairs. In other words, the speculators on Exchange are the true cause of the high price of bread.

EXTRACT FROM ANNUAL REVIEW OF WHITAKER, WHITEHEAD & CO.'S TRADE, FINANCE, AND COTTON CIRCULARS FOR 1892-93.

[Established 1875.]

[EDITED BY CHARLES W. SMITH (LATE PARTNER).]

Liverpool, September 7th, 1893.

The past season will always be remembered as one of the most disastrous ever known, whether from a commercial, financial, or agricultural point of view.

While various causes and theories have been put forth to account for this deplorable state of things, one result is acknowledged on all sides, viz., the serious shrinkage in value of almost all commodities and securities.

The direct cause for this will apparently remain a vexed question, but the fact has to be acknowledged, that while the volume of trade continues fairly satisfactory, the deplorable financial result stands out patent to all, and we endorse the recent expressions of a well-known Member of Parliament who said—"*At times it seemed as if some demon had risen out of the deep and waved his wand over our happy country, and cast upon it a curse.*"

The question is—what form has this apparition taken which has affected us to such an alarming extent? It *does not*, in our opinion, consist (with all due respect to the opinion so popularly expressed, and believed in) either in bi-metallism, or in the mere fact, pure and simple, of foreign competition, induced by foreign imports, but principally in the basis on which the crops of the world are manipulated, combined with the gigantic gambling that goes on in nearly all produce and food products.

It is this alone which, we honestly believe, is answerable for 75 per cent. of what is termed "Depression in Trade and Agriculture," by bringing about an artificial depreciation in the value of all those articles which come under this Option, Future, and Settlement system, introduced of late years into the commercial world, as the means, not only for moving crops abroad, but also for importing them into this country, and until something is done to alter the abuses

which have sprung out of these systems we regret we can only hold to the too often expressed opinion of a pessimist character as regards values.

Referring specially to cotton, yarns, and goods, we can look back with every satisfaction to our forecasts, not only as regards our estimate of the American crop, but also to the course of prices given in these pages during the past twelve months.

As regards the latter, we witnessed first of all our strong optimist views put forth on September 12th last, verified to the letter by the raw material advancing by the following December, 40 per cent., say from about 3¼*d.* to 5⅝*d.*

Again, on January 17th we turned round and became pessimist. Cotton was then on the basis of 5½*d.*, and we witnessed it fall close to 4*d.* by the following June, say about 35 per cent.

About this period we were again inclined to be optimist, but early in July, on the Anglo-Indian silver legislation being sprung upon the world, we issued a special circular on the 5th of that month of a most pessimist character, pointing out that such a sudden "leap in the dark," affecting the currency of the world, could only mean "Danger," not only to the financial, but also to the commercial and agricultural world, and that "sunken rocks" must be ahead, and under these altered circumstances anticipated not only financial disasters, but also an *artificial* decline in values. Such again proved the case.

And when we point out to our readers, and fully admit, that these prognostications on values are based almost solely upon the *inside* workings of the Future, Option, and Settlement systems—the state of trade, and supply and demand being almost ignored—surely they ought, backed as they are by our previous forecasts of the past fifteen years (based also on the same system), tend to prove to those who have not studied these subjects, that it is not supply and demand alone that are the regulating mediums of the values of all such commodities, like sugar, corn, maize, coffee, cotton, &c., &c., but the systems mentioned above.

These systems have been fully explained and lately exposed by the Editor of these pages in book form, the arguments used in them being also acknowledged to have further proved that the inevitable general effect in the long run of these systems, based on a settlement, is to artificially depreciate values, on the broad basis, that the systems in themselves being rotten, they will always be affected by any unfavourable factors, *however slight*, that may arise either in the political, financial, commercial or agricultural world, and that some such events will occur in the majority of months during each season is as certain as "that the sun will rise to-morrow morning."

We have already referred casually to our views on the Anglo-Indian legislation *re* silver and the rupee, but we should like to remind our readers of the similar views we held and expressed in 1890, when the American silver legislation took place.

These have been sadly verified since that year, and lately corroborated again, by witnessing the House of Representatives pass, with a large majority, the Wilson Bill, which repeals the mischievous Act itself, and thus bears out our already expressed opinion, that any legislation in the currency of the world can only bring about financial ruin, and such has been the result, as is well known, of the last two attempts specially referred to above.

Since Thursday last, under the influence of continued large speculative buying, Spot prices are quoted $\frac{3}{16}$*d.* up, although Futures only show 6 points advance.

In the meantime, the only point worthy of notice is that after extreme inflation, induced by speculation, there has been a re-action to-day, owing to re-selling for profits, and increased offerings from the other side.

REPLIES TO QUESTIONS.

THE following questions from a well-known public writer, who (amongst many others) takes a great interest in the subject, represent the most common objections of those who deny that the system of gambling in and forestalling crops of produce tends to lower prices in the long run. My answers to each question are appended.

QUESTION No. 1.—Why should the forestalling of the crops necessarily lower prices? When fruit-growers, for instance, find dealers racing round the country offering to buy their crops before the fruit is ripe, they regard it as a case of keen competition, and expect to make better prices in consequence. Then why should the selling and buying of a grain crop before it is mature necessarily lower prices?

ANSWER.—Although the fruit crop is forestalled, it is done in a legitimate way. No doubt, keen competition amongst buyers, whether before or after the produce is ripe, tends to put up values; and so it would under similar circumstances with all produce moved in such a way. But this forestalling of the fruit crops is quite a different thing to forestalling the crops on the basis of Futures. If fruit was moved by this means the value would certainly tend to depreciate yearly. For, instead of one crop of fruit being sold, or forestalled, there would be four crops of fruit made out of the one. For example:—first, the actual crop would be forestalled by the sale of a Future to a speculator; secondly, there would be the re-sale of this Future; thirdly, there would be the unlimited crop sold by bears, &c.; fourthly, there would be the actual crop itself sold to the consumer.

QUESTION No. 2.—In the autumn, in America especially, there is a tremendous glut of wheat. If the Future system (except for actual delivery) were abolished, would not the capitalists who undertake to hold this wheat through the winter refuse to buy it except at such very low prices as would make their speculation practically safe? In other words, would they not want to buy at a lower price if they could not hedge than if they could hedge?

ANSWER.—If the speculative Future system were done away with, part of the surplus of the crops could still be moved to Europe by selling Futures, and declaring the actual produce against such contracts, which would be quite legitimate, while the balance would be moved as of old, before Futures were invented, either on merchants' own account, on consignment, on sample, or on the many other legitimate ways which have always existed. Before these Futures were invented the world witnessed no such depression as has existed during the past fifteen years or so. Merchants with capital, who have been driven out of the importing trade, would come to the fore again. Those mushroom importing houses who have sprung up of late years since the Future system was invented, and who, in the majority of cases, have little or no capital of their own, and are almost entirely dependent upon their broker, banker, and credit-house for financial support, but who have embarked in an enormous and artificial importing trade on this new basis, would find they

could not over-trade to the alarming extent they do now, which, in itself, is a serious cause of depression. By crippling these so-called importing houses, *bonâ fide* merchants, whom they have supplanted and driven out of that trade, would again have a fair chance of doing a legitimate import business without any fear of the markets being swamped with offers of gambling Future contracts. It is this artificial and unlimited supply of Options and Futures which has driven the old-fashioned merchant with capital out of business, and almost made him close his doors of late years as an importer of produce. Remember, too, if the Future system were abolished, there would only be one crop to deal with, whether that crop was moved partly in the shape of Futures, merchant's account, consignment, or otherwise, the fact would still remain, there would be only one crop instead of four made out of one; and as fully explained in Answer No. 1.

QUESTION No. 3.—How can you show that the Future system would tend to keep prices lower than they otherwise would be in a year of scarcity?

ANSWER.—To answer this in detail would take a book. But I will, first of all, again refer you to my Answer No. 1 as regards the theory of the four crops, and will further dwell also upon the moving of the crops abroad. Supposing a crop was small, and consequently one of prospective scarcity—I have already explained the system in England adopted under the Future system of moving crops from abroad, that these are manufactured into four crops out of one. This is also applicable to America. For, first of all, the farmers or producers there sell to factors and merchants; these latter sell Options as a hedge to speculators, which are again ultimately re-sold. Then there is the fictitious crop manufactured by bears; and, lastly, the actual crop itself is sold to consumers by the factors or merchants. Thus, in America, there are four crops, plus the surplus of the four crops imported into Europe, which have to be manipulated from the time the produce leaves the farmers' hands in America to the time it reaches the actual consumer in Europe. This in itself is sufficient to convince any one that these artificial crops "on paper," plus the actual crop, must depress values based on a Settlement system. But I will try to explain briefly the moving and manipulation of a small crop under circumstances which alone tend to keep prices lower than they otherwise ought to be if supply and demand, pure and simple, regulated the value. In the first place, there is at the end of each season a certain surplus which is carried over into the new crop on Futures, and which, on paper, creates a sort of extra artificial supply. Then during the first three or four months of the moving of a small crop, when the crop is leaving the farmers' hands, enormous offers are daily made on Options in America, and Futures in Europe, day after day, which swamp and fill up buyers on paper, and hence have satisfied the demand *pro tem.*, not only of speculators, but also of traders and distributors, who, as a rule, buy Futures, and not the actual stuff, in anticipation of a sharp rise based upon scarcity; all of which are eventually re-sold, the two latter replacing with actual stuff as each favourable opportunity offers itself. In plain language, however small the crop is (unless an actual failure) for the first three to six months during the time the crops are leaving the farmers' hands, there may be sold on paper an equivalent equal to ten times the size of the actual produce leaving the farmers' hands, especially so when crops are small, because, as a rule, the smaller the crops the quicker they are moved, and, consequently, the volume to be sold in a shorter space of time in the shape of Options in America and Futures in England may be considerably more than that of larger crops. Then, later on in the season, when the market ought to be rising on the prospective short supplies, the compulsory re-selling of these paper contracts

takes place, plus the fresh selling of Futures on behalf of importers against fresh purchases of produce, which either actually checks an advance, or, if any small advance has taken place in the interim, causes a decline; and for a powerful example of this take the wheat market the past four months, which has declined considerably in the face of bad crop reports from America, and only a small prospective supply; and remember it is the value of these gambling contracts that regulates the value of the actual stocks. While, later on, or towards the end of the season—say in the last three to four months—again have the markets of the world the artificial paper contracts hanging over their heads, which must be re-sold, day by day, as the months come round, while the very speculators who are thus re-selling, and who would, perhaps, enter into fresh speculations again, are further handicapped by the fact of seeing distant new-crop Futures sold at a discount under the values of the remaining months of the old crop, and this latter is almost invariably the case in rising markets caused by scarcity or by corners. Thus, again, is the market kept in check by the very power of the "bears" and importers, &c., who are the sellers of these new crops; and thus, from the commencement of the season to the end of it, even in small crop years, a considerable natural rise which ought to take place the whole season is kept in check by the enormous and artificial supply of paper contracts, exceeding, perhaps, twenty to fifty times the size of the original crop.

QUESTION No. 4.—Why should the daily or weekly Settlement systems *per se* tell in favour of the bears more than the bulls? I should have thought it would have been the means of saving men from utter ruin, and thus staving off actual panic.

ANSWER.—To answer this in detail would again take a book. But the result of the Settlement system, whether in rising or falling markets, has been the cause of creating semi-panics year after year, whether crops are small, medium, or large. In numerous cases absolute ruin to many has been the result, while no member of any Produce Exchange, when the semi-panic or panic is on, can gauge his financial position pending the panic. Look, for instance, at the results of the past week—panic in Chicago in wheat, panic in pork, lard, provisions, and coffee in America; panic in America and Liverpool in cotton—all caused by the abuse of the Settlement system. As stated in my previous book, the Settlement system was originally adopted as a means of protecting financially all *bonâ fide* traders and legitimate speculators; but the system has been grossly abused of late years, and was never intended to facilitate the enormous gambling that now goes on in so many shapes and forms in all classes of produce, and consequently has been the means of nearly wrecking and ruining every member of each Produce Exchange in certain seasons, when bull campaigns or corners have been rampant. Besides, it has been the means of causing men with little or no capital, or "men of straw," to plunge, because, under this system, one man is as good as another as long as he can pay up his weekly or daily differences. But directly the market goes against these enormous bull operators, first one and then another has to re-sell at the best possible price to save himself from financial responsibilities in the Settlement house, and thus a semi-panic is brought about. The majority of speculators are always bull. In fact, say out of one million contracts bought and sold, the buyers of all of them are, of course, on paper bull *pro tem.*, while the sellers are composed, on an average, of about 20 per cent. bears pure and simple, and 80 per cent. of bears in the shape of importers who have sold Futures, but hold produce against them, and therefore are not compulsory buyers of those Futures in rising markets, as the majority of bulls are compulsory sellers under the Settlement system in a

falling market. Hence a market under the Settlement system becomes the weakest when the majority are bulls on paper, and strongest when the majority are bears on paper. But as the majority in nine years out of ten are always nominal bulls, but who may turn themselves into bears, either by re-selling their paper contracts or by selling other positions as a hedge, the Settlement system acts in those years in favour of the bears. For example, see the result even in the case of only a small decline, and its instant effect upon all bull speculators. The Settlement system causes first one and then another speculative holder to become financially impatient, not to say impecunious, and thus every new seller makes the market worse for his successor, one decline begetting another decline, until the market is reduced to a state of semi-panic. If the market were a bear market pure and simple on paper, and the majority short, reverse the above action. But it hardly ever is so, not one year in ten—hence the Settlement system always attacks the bulls and favours the bears. People express surprise that bulls, under the circumstances, should always be found. I presume that every man is a born optimist, and consequently is induced to gamble on the bull side. When he has lost and retired from the scene, another takes his place, and so on year after year, on the supposition that he can surely make money by buying an article, considering that it has fallen year after year, and fancies it cannot go lower. This is the argument put forward by each speculator, but, as a rule, he has not studied the Option, Future, and Settlement system. If he had, he would come to the opinion I formed years ago, that there is no bottom price in any article as long as these systems are in force.

QUESTION No. 5.—The bears, as you say, have had it all their own way, as a rule, for years past. But the period has been one of falling prices for nearly everything, so that bears have had a natural advantage. But in a rising market, caused by short supplies, have not the bulls a corresponding advantage? If not, why not?

ANSWER.—In my opinion, seventy-five per cent. of the fall in most articles have been due to the Option, Future, and Settlement systems, and as all markets act and re-act upon one another, all values have suffered, as all trades and industries are dependent one upon another, and the fall in one article of produce naturally affects the value of another. The apparently natural advantage, as you say, gained by the bears is really unnatural, and caused by the artificial means of moving the crops on the basis of Futures during the past ten to fifteen years based on Settlement. Do away with these systems, and it is a fair fight between bulls and bears. My answers to your questions Nos. 3 and 4 explain somewhat the latter part of your question. I can, however, again draw your special attention to part of my answer to your question No. 4. I allude to the part when I say that in a rising market, even if it is based on short supplies, all holders of Futures must be on paper *pro tem.* bull. Hence, even if the market does rise, bulls necessarily take advantage of a rise and re-sell their contracts day after day in order to secure profits. They cannot eat or destroy them, and must re-sell them before each month's deliveries come round, unless they intend to demand delivery against their contracts, which they hardly ever do, while in a rising market it is not compulsory for the importers to buy, as they hold actual stocks against the sale of Futures, and only are buyers as a rule against that portion of their actual stocks they may happen to sell to the consumer. Besides, in a rising market the actual stocks of importers are appreciating in value to the extent of the rise in Futures, which supplies cash for the differences they have to pay into the Settlement week by week. If there are any bears that are foolish enough to have sold short, why they probably cover at once; but, in a year of scarcity

caused by short supplies, a bear is a *rara avis* until prices have risen, for he can afford to wait his opportunity before attacking the markets. Whereas in a falling market the bulls have no extra contracts open, like the importers have in rising markets, to create cash to pay into the Settlement. The differences of the bulls must all come out of solid capital, and is an absolute loss, and hence see the effect on the bulls, as given in my answer to your question No. 4, as regards the effect of the Settlement system.

QUESTION No. 6.—You say that bulls are constantly having to sell at a sacrifice in order to avoid further loss, but this is only in a falling market. Would not bears in a rising market equally be compelled to buy in months at a high price, in order to hedge against their prospective losses?

ANSWER.—Yes, if there were any bears, but as explained, individual bear operations pure and simple are not of such magnitude as bulls', and they are always in the minority, hence can get quicker covered up than the bulls. Those who have sold Futures to the bulls are composed of, say, eighty per cent. importers, who hold actual produce against these sales, hence are not absolutely compelled to buy back when the bulls want to unload or re-sell. As stated in my previous answer, importers only cover up as a rule an equivalent to what they sell of actual produce to consumers. For instance, there may be compulsory sellers and re-sellers in one day of two hundred thousand pounds' worth of Future contracts, but only compulsory buyers of half that amount of Futures on that day, which, say, importers have to buy against what they have sold to consumers. Hence the market under this compulsory re-selling, helped by the attacks of bears, &c., would decline. Besides, the importers have months before them before they need cover up their Future sales, which they have sold against produce held, as they always sell distant, and consequently, as they form the largest part of the sellers of Futures, they always have time to buy them back gradually from the bull speculators, who are obliged to re-sell them day after day, for, as explained, ninety per cent. never demand any produce against their Futures, and hence these contracts are wrung out by means of the Clearing-house, and thus by degrees liquidate themselves. On the other hand, if a broker gets an order to re-sell Futures, he has to enter the market and sell out on the best possible terms at once. His sale being a compulsory sale, if he cannot get one price he takes another, and thus that contract is, in ninety cases out of a hundred, landed *pro tem.* probably on another bull speculator, who in his turn goes through the same medium of disposing of it when he gets his orders. Therefore the position of the bulls in a falling or even rising market is not the same as that of the bears pure and simple; for, as I said in the commencement of this answer, the latter (except in special seasons) are few and far between, while the importer who is also a bear on paper, but not actually a bear pure and simple, is in quite a superior financial position (as explained) in a rising market, as regards the Settlement, to that of the bull in a falling one. But besides the bear, you must not forget the tribe of illegitimate speculators who are hourly and daily attacking the market, like the scalper, jobber, wrecker, dealer, manipulator, &c., who all want to make a bit out of a deal, and are never particular what means they adopt if only they can be successful on the day's operations on balance.

The propounder of the questions above, after considering the replies and other evidence given in this book ('Commercial Gambling'), writes as follows: "*I am now fully convinced that you are right in maintaining that the inevitable general effect in the long run of the Option, Future, and Settlement system is to depress prices, and I find that several corn merchants who do business on an extensive scale in London are of the same opinion.*"

ORIGINAL THEORIES UPON, AND REMEDIES FOR, DEPRESSION IN TRADE, LAND, AND SILVER.

SELECTIONS FROM PRESS NOTICES.

The County Gentleman.

The proverb "an ounce of practice is worth a pound of theory" is well illustrated in the views and conclusions put forward in this able and useful little work. Mr. Smith's business experience dates back to 1862, when the great American Civil War had just broken out, and when the seeds were being sown not only of vast organic changes in the Great Republic of the West, but of still vaster, or at least more widely spread economic changes throughout the whole civilised world. With regard to this great sequence of events, as they affected commercial and financial interests, Mr. Smith may fairly boast *pars quorum fui*, and his claim to speak with authority on the origin of trade depression and its possible remedies is certainly strengthened by his possession of what we may call the adaptive faculty. Educated as an "optimist," he was shrewd enough to see that to keep in touch with the changed temper of the times he must conduct his business on "pessimistic" lines, or, in Stock Exchange parlance, become a "bear" in anticipation of a falling market. The great "boom" of the sixties, when gigantic fortunes were of mushroom growth, was followed by a severe re-action, of which the first sign was the failure of Overend, Gurney, & Co. Cotton dropped from 30*d.* to 12*d.*, and even lower, and brought with it an acute depression which eventually spread to other trades and industries. The culminating stroke was the great City of Glasgow Bank smash, and since 1879 the economic cloud has only been broken by a few faint and fugitive gleams. We think Mr. Smith's conclusions are generally sound with regard to the causes of the great depression. He does not stand alone in recognising as amongst the chief of these causes scientific improvements like the invention of steam, telegraphs, telephones, &c., which gave birth to the ruinous foreign competition that has been such a marked feature of these latter days. But in crediting the "future" or "option" system of speculative trade transactions, the abuse of the clearing house or settlement, and the consequent creation of syndicates and "corners" with a leading share of responsibility for the present unhappy state of things, he puts forward a proposition the importance of which has been hitherto insufficiently recognised, and which will have to be taken account of by future economical reformers. We are glad to see that Mr. Smith refuses to recognise the depreciation of silver as a cause of the mischief. His view that silver is a commodity like other commodities, is undoubtedly the sound one, and his

observations upon the use that has been made of the white metal as a speculative or gambling medium are not the least suggestive portions of his book. The author finds ample justification for his condemnation of the "hedging" of paper contracts as against actual produce in the anti-option legislation of the United States, and the steps taken in Russia with a similar object.

The Chester Courant, April 12th, 1893.

GAMBLING IN CORN, &c.

SIR,—I notice in your valuable paper of the 12th inst., under your agricultural remarks, a small paragraph calling attention to gambling in corn which "Husbandman" describes as being the last straw to break the camel's back, &c. This last straw has been applicable to many other trades and industries, besides the corn trade, all of which have been nearly ruined by the said gambling and cornering systems, based on what is termed the Option and Future systems.

"Husbandman" calls further attention to the fact that a Bill is about to be brought into the American Legislature, with a view to prevent this gambling, and I should like to inform him, as well as your readers, that the House of Senate in that country passed last session, by a large majority, a Bill called an Anti-Option Bill, but which was too late to have a chance of passing the House of Representatives.

The subject in question is one which has been engaging my special attention the past three months, and, having taken an active part in these gambling transactions for the past fifteen years, and seen from practical experience the utter ruin they have caused upon all industries, and now upon land and agriculture, I thought it my duty to expose the same by publishing a book on the subject through Messrs. Sampson Low, Marston & Co., of London, entitled 'Original Theories upon, and Remedies for, Depression in Trade, Land and Agriculture,' and which has attracted considerable attention in many influential quarters, not only among many of our leading agriculturists, but also among many societies interested in such a vital and important question. I have every hope that eventually we may, when the subject is well understood, witness a similar Bill introduced into this country as the American farmers introduced through the Senate House lately, and which I am urging upon our legislators as a necessity, before they see this country utterly ruined by these gambling acts in produce and food products.

It is a subject which the Cheshire farmers might promote, and take a great interest in.

I am, yours, &c.,

CHARLES W. SMITH.

April 15th, 1893.

Letter to The Scottish Leader.

OPTION TRADING.

SIR,—I notice with pleasure the leader in your valuable paper of the 20th inst. on "Option Trading" in produce and food products, and as the same refers specially to the views put forth in my book just published by Sampson Low, Marston, & Co., London, perhaps you will kindly grant me a short space to dwell briefly upon the article in question.

In the first place, I am pleased to notice you agree with me as to the

evil effects of this gambling in options, and I feel sure if you had the fifteen years' experience of same, as I have had, and seen the working of them from their infancy, first on one trade and then on another, you would agree with my views in the absolute necessity for some sort of legislation taking place in this country, as has been attempted in America. These are the only two important countries where such gambling acts are allowed to flourish, and run riot.

For it is the gambling acts of the small minority engaged that are the ruin of the majority, and, remember, the latter class are composed of capitalists, *bonâ fide* traders, the owners of the soil, and the farmers who produce, the majority of whom in the United Kingdom are perfectly ignorant of the existing state of things; and, further, that such acts of gambling in wheat and corn are one of the principal (I say the original, and I am prepared to prove it) causes for all this undue and artificial depression which the world has suffered from during the past few years, not only in trade, but also in land and agriculture.

I further notice you ask—"Can any Government enact or enforce a law to compel every one to buy or contract for each day's supplies each day?" and you add "that neither Mr. Smith nor anyone else would maintain anything so absurd." Quite right. I never have, or should ask legislators to do such an absurd thing. But what any Government could do, and what I proposed as a remedy was for this country to pass a simple Bill, which, as the Anti-Option Bill in America proposes to do, would have the effect of making it absolutely illegal for a man to sell produce or food products in the shape of Options or Futures, which that man did not possess in some shape or form in actual produce at time of sale.

Surely there is nothing difficult or alarming about such a measure. Let those people who wish to gamble go back to the Stock Exchange and gamble there, as they used to before these gambling institutions in food products were established in this country. For I maintain, serious as it may be for investors to have such gambling allowed on the Stock Exchanges, that it is child's play in comparison to gambling in produce and the food products of the world, which Providence has graciously given the world, as a blessing and as a necessity for all its inhabitants, and therefore it behoves man to bring about some legislation which, if passed into law, would stop this unlimited and artificial supply which men sell when they have not got; which proposed law, if passed, would not hamper the trade of the world in the slightest, or interfere with the artificial way of moving the crops of the world (which at present exists), but would only cause the occupation of the innumerable number of operators to cease, who now are found swarming upon every produce exchange—such as the bear, jobber, scalper, wrecker, cornerer, and manipulator, all of whom have been attracted to these exchanges by the new method of gambling.

In conclusion, I am pleased to say the views propounded in my late book have met with very great interest in many parts of the United Kingdom. In consequence, I am shortly publishing a revised and enlarged edition of same, which will fully expose and explain, I hope, the great evils and ruin which these gambling institutions have entailed upon all industries, trade, and agriculture, and at last upon the owners of the land. I hope the book in question will make it quite clear, even to you, sir, that legislation is absolutely necessary in some shape to stop such an unmitigated evil as was introduced from America into this country some ten or twelve years ago. Such legislation on the one hand would not hamper or hurt any one single individual engaged in the legitimate and *bonâ fide* trade of the country, while on the other hand it

would benefit all classes except the small class of illegitimate operators specially referred to.

Apologising for the length of this letter, in haste, yours, &c.,

CHARLES W. SMITH.

March 21*st*, 1893.

[EXTRACTS.]

"Thirty years' experience in the commercial world should, doubtless, enable the author to suggest remedies for the present depression, such as the abolition of the system of Option or Future Contracts, a reformation of the limited liability law, which has led to over-production, and improvements in the methods of agriculture in this country."—*British Trade Journal*, May 1, 1893.

"The author, who has had thirty years' experience of commercial life, considers that the decline in commodities has been accentuated by reckless speculation during the past twenty years, which have witnessed the development of what is known as trading in Futures. The work is interesting, and deserves study, as the points are clearly put."—*Irish Textile Journal*, April 15, 1893.

"The system of trading in Options and Futures, denounced in America as 'Wind-selling,' is steadily gaining ground in this country, and it is not unlikely that the determined campaign against it which the farmers on the other side of the Atlantic have been carrying on for some years will be taken up by agriculturists here. The question brought forward is of vast importance to producers, and therefore it is one which should be thoroughly threshed out by means of discussion, with a view to action in Parliament, if that should be deemed advisable."—*Land Agents' Record*, April 8, 1893.

"The best token we can offer to the author of our appreciation of his work is to express the hope that we shall hear more frequently from him. We can confidently assert that if his theories and remedies were studied in high places, a good deal of the existing depression might cease to be."—*Financial Standard*, February 18, 1893.

"Should be carefully read by manufacturers."—*Iron*, February 24, 1893.

"The theories are clearly and concisely expressed."—*Rialto*, February 18, 1893.

"All who desire to become acquainted with the character of the unhappily increasing trade in Options or Futures should read a little book lately published. As those of a man 'behind the scenes,' the author's arguments deserve attention."—*Leeds Mercury*, April 7, 1893.

"The book is worthy of being very widely read, since its author brings a commercial experience of thirty years to bear upon his theme. Readers will find much to think about in this small but able work. Perhaps something to discuss."—*Trade*, February 25, 1893.

"Being a clear thinker and sound reasoner, the author's views are well worth serious attention. Those of our readers wishful to 'get on in the world' and to be *au courant* with the thoughts of leading commercial men, will do well to study this comprehensive little volume."—*Grantham Journal*, February 18, 1893.

"We commend this little work to the careful perusal and study of commercial men, who may receive a needful hint or learn a useful lesson therefrom."—*Wolverhampton Chronicle*, February 22, 1893.

"The author gives some good advice to our farmers, which they would do well to take. We do not agree with everything the author says, but, taken as a whole, the volume is a welcome addition to the literature of the day on the most important questions of the age."—*Publishers' Circular*, February 25, 1893.

"The author's suggestions are evidently those of one who knows, and as such are worthy of attention from practical men. They can also be recommended to the autocrat of the armchair."—*Financial Observer*, February 5, 1893.

"It is certainly a proof of deep thought and thoroughness."—*Liverpool Mercury.*

"Readers will find much to think of in this small but able work. Perhaps something to discuss."—*British Journal of Commerce.*

"The matter seems eminently worthy of consideration, while the conclusions are fraught with wisdom."—*Perthshire Advertiser.*

"The author has been peculiarly well situated to treat on such subjects in theory, and the views he propounds are useful as a consideration of the subject from a commercial standpoint. The writer's opinions are very tersely put, and argued on a very logical basis."—*Farming World*, March 3, 1893.

"The author has held a position in the commercial world which entitles him to speak on the subject. He explains in some detail, and in a manner that will awaken interest."—*Bristol Mercury*, February 2, 1893.

"The work deserves general perusal."—*Halifax Guardian*, March 18, 1893.

"It demands attention on account of the gentleman being experienced in commerce. It is an excellent book, dealing with a subject of vital importance in an eminently sensible and practical manner. Suggestions of a practical nature to remedy the evil must be welcome to business men and politicians alike."—*Birmingham Gazette*, April 18, 1893.

"The author puts forward the theory that dealing in Futures or Options is the chief cause of unduly depressing values. His theories are clearly and concisely expressed."—*Financial Times*, February 13, 1893.

"The most effective onslaught upon the system of Futures and Options that we have yet seen has recently been made by an Englishman who may be described as a recruit from the camp of the enemy. If the author is right, the subject is of the utmost importance to the farmers of this and all other countries. If the author is sound in his arguments, he is quite right in endeavouring to stir up the farmers of this country to join with those of the United States in demanding legislative interference with a system which damages legitimate trade."—*Agricultural Gazette*, April 3, 1893.

"Why is it that at meetings of farmers' clubs one never hears of the discussion of such subjects as gambling in corn and other commodities? It

is one of great interest to the genuine farmer, and one which landlords, tenants, and labourers can combine to discuss and face. A treatise which must be of interest to all farmers in these times of depression, and which might be read with profit by many. We recommend the perusal of this book to all interested in land."—*Chester Courant*, April 18, 1893.

"It is a little book in which the author discusses the points set up in its title."—*Mark Lane Express*, March 20, 1893.

"The views expressed in the publication have in substance been already put forward in Messrs. Whitaker, Whitehead, and Co.'s *Weekly Trade, Finance, and Cotton Circular*, of which the author is editor."—*Liverpool Daily Post*, April 1, 1893.

"There is more denunciation than evidence or argument in the little book. The object of the writer is to expose the system. The author believes it to be the main cause of depression in agriculture and trade, and he gives some reasons in support of his opinion; but he does not submit sufficient evidence in support of his conclusion to convince those who are not acquainted with the operation of the system."—*Land Agents' Record*, May 6, 1893.

"The severe depression which prevails at present sets every one on the *qui vive* to ascertain causes. There are some who uphold the Americans in their endeavour to suppress the system of Options by legal enactment. Among the vigorous opponents of this Option system must be reckoned Mr. Charles W. Smith, of Liverpool. It certainly is in itself an evil, and a source of loss eventually to by far the larger number who engage in it."—*Scottish Leader*, March 20, 1893.

"'Depression in Trade' gives some remedies for the evil."—*World*, April 8, 1893.

"In his capacity as editor of a Trade and Finance Circular, the author has been accustomed to watch the course of events in one of the most active centres of the world's trade. In the course of his thirty years' experience, being a man of observation, he has had the opportunity of forming opinions which will be generally accepted as sound. The review commences about 1862. A hopeful view is taken of the future, and especially if the gambling spirit can be held in check. The new methods are the dealings in 'Futures,' by which crops of the various leading staples are turned over twenty to thirty times a year. Prices are thus governed by a fiction, and markets are at the mercy of speculators. This produces undue depression, and legitimate traders want some protection. Mr. Smith approves the taxation of speculative contracts, as proposed in France. The Russian Imperial Bank has made a stand against these speculative bargains, and in the United States the effort to pass an Anti-Option Law has been powerfully supported by the Farmers' Alliance. There is, indeed, a great deal of matter for reflection in Mr. Smith's 'Theories and Remedies,' and they will well repay study."—*Capitalist*, May 13, 1893.

Commercial Exchange, Legitimate Speculation and Speculative Gambling.

(From *Western Rural*, U.S.A.)

The word commerce is broad in its meaning, covering not only a strictly legitimate exchange in commodities, but the holding of the same for speculative purposes. In this case an advance of a small margin of the value of the property negotiated for is made, and its title vested in the purchaser for a stipulated temporary time. Such "speculation" is hazardous, because a small decline wipes out the margin and abrogates the contract, the speculator losing his entire investment unless he prefers making further advances upon each decline, if he be able to do so. On the other hand, a small advance may double or treble his investment. While prudence must govern credits extended on such hazardous undertakings they are recognised not only as useful factors in commerce, but one that stimulates enterprise, and is indeed the principal motive power in the march of progress. It is to the spirit of speculation that we owe the developments in steam, electricity, gas and all the utilities which bring comforts to, and elevate the poor and increase the sum of human happiness. Far more commendable and honest, in a strictly ethical sense, is this spirit than that of the timid capitalist who seeks only to follow it without inspiration or ambition, profiting alike by its success or failure. But speculation must not be confounded with gambling. These two practices are as diametrically opposed to each other as are disease and health. Gambling is a practice condemned alike by nations lowest and highest in the scale of intelligence. It is a morbid social condition having for its primary object a desire to acquire the wealth belonging to other people without giving any equivalent therefor, without in any way promoting or advancing, or stimulating any of the varied industries comprised in the business of a civilised community except to the degree that such work is necessary machinery in gambling deals. Gambling leads to financial, moral and intellectual destitution. Webster defines speculation as the act or practice of buying goods or land in expectation of a rise in price and of selling at an advance as distinguished from a regular business in which the profit expected is the difference between the wholesale and retail price. A gambler is defined by the same authority as "one who gambles in play for money or other stakes."

A president of a prominent National bank in discussing the proposed anti-option legislation said: "Why discriminate against speculation in grain, hog products, cotton, etc.—why not include speculation in real estate?" His error was the misuse of the word speculation as applied to deals in food products under existing methods on Boards of Trade; but answering his question as asked will completely define this misuse. Realty and personal property cannot be subjected to the same laws governing trade for obvious reasons, but they can perfectly well be for this purpose of illustration. We will assume a man buys a "May option" on a corner lot at $100 per front foot and puts up a margin of $3.00 per front foot which is a guarantee of good faith and a protection to the seller in case the buyer fails to carry out his option, as it then becomes forfeit to the seller. The option now becomes vested in the purchaser by record and remains an entity representing its own place, subjected only to the influences that govern surrounding property and

is dependent on the relations of business improvements or retrogression for its value when the first of May arrives. It cannot be re-sold, or in any way interfered with, or used or unduly influenced during this period. It stands as its legitimate proportion of the whole sum of property and a permanent factor in honest speculation.

Now let us apply Board of Trade methods to the same corner lot. It would then be sold on option during the option period, not only by its owner, but by 999 persons who did not own it, and bought of course an equal number of times. When the first of May arrives the enormous aggregate of margins which have been put up on this land by thousands of suppositious owners and a like number of sellers, far exceed in value the property in question. The commission (?) men represent in their paltry commissions an aggregate sum possibly equal to the entire value of the land. The millions invested in a vast wager far outweigh in influence the natural conditions which should obtain, and the price of the property in question is fixed by these factors and not by natural ones. This is gambling, and the simple difference between it and other games of chance is that the price of food products is the token, instead of the pace of a horse, the turn of a wheel, or the course of a roulette ball. If the simile stopped here this gambling menace to trade would be less dangerous to the community than it is, but the fact that the food and fibre products of the nation are used as a basis, gives it such a pernicious character, that the ultimate evils arising therefrom cannot be estimated. What hope would there be for real estate transactions under the influence of such a purely gambling system as above illustrated? Should one thrifty gentleman buy this corner lot of a hundred sellers for delivery in May, and just prior to the arrival of that period, succeed in buying the aforesaid corner lot for cash and refuse to sell it at a reasonable price on the first of May, this would be called a "corner." Corners are "immoral" with Board of Trade authorities, and to protect themselves against this "brace game" feature of their transactions, they have a rule which takes the power from the owner of the corner to fix the price at any basis he chooses, for if he had the power he could "break the bank." This lot upon the last option day, must be used to liquidate thousands of wagers. A proper classification of this system would be not to label it "commerce," but put it in the category of games such as roulette, faro, etc.

The fact that this innovation crept so quietly and gradually into legitimate business that it has grown until the national banks are the beneficiaries to a point where the moral sense of the owners of such institutions is dulled by the pecuniary emoluments gained by the system, is an all-powerful argument in favour of its abolition. Every logical deduction shows conclusively that the meddling in trade and speculation by this enormous and potent aggregate of gambling capital, is wasteful in a national sense, and depresses in a like measure the value of farm products so dealt in. The pecuniary side of the question, however, is of secondary importance. Gambling is a crime or misdemeanor by statutory law, and its votaries are social outcasts, in all civilised communities. This same festering evil has its clutch upon the legitimate commerce of the nation, and is so entrenched through its forced connection with the machinery of commerce, and the vast aggregate of capital kept in the hands of banking institutions, that they, fearful of losing so large a perquisite, unite in trying to prevent proposed restrictive legislation. Little wonder that the plain people of the nation, in the midst of a monetary problem, turn with suspicion from the view of those institutions, whose opinions should imbue them with confidence, when it is clearly demonstrated that they hold illicit pecuniary emoluments above the desire for general prosperity or commercial honesty.

Bear Selling *versus* Bull Buying. (By Mr. R. James Abernathey, U.S.A.)

From "*Milling.*"

Do They Offset Each Other?

Various state and national legislative attempts have been and are being made to curb the frisky bear in the grain market. What effect the laws may have in dwarfing the efforts of the short-seller remains to be seen. In the meantime, however, it must be admitted by all unbiased minds that the chronic bear in his wild, untamed and unrestricted condition is capable of doing harm at times, and ought to be fettered when bent on doing mischief. That can be done by placing him on an equal footing with his opponent, taurus. The speculative bull is necessarily a responsible quadruped; the bear is not. The bull must put money behind his risks, the bear "don't have to" except the small margin that may be required. Mr. A., a bull thinks wheat a good investment, and buys a million bushels which cost him actual market value, if not in cash now it will as soon as the option expires, hence he must have the actual money. Mr. B., a bear, thinks wheat is going lower and sells short a million bushels and puts up a two-cent margin and thereby ties up $20,000 against A's $800,000 to $1,000,000. A big difference in risk and responsibility, and shows why it is easier to be a bear than a bull, and why, of late years, the bear side of the market has been so fascinating. The bear is a crafty animal, and knows when to do his most effective work.

When there is 25,000,000 bushels in the visible, and as much more in stock, outside of the visible, at the beginning of an enormous new crop, he knows his harvest is at hand, because no man or set of men are going to put millions upon millions of dollars, permanently, into wheat against such fearful odds, and so the bear sells and sells, and hammers and pounds to his heart's content. It is a sure thing for him. Under such conditions the bear is a power for evil, and ought to in some way be restricted and restrained by increasing the risks and responsibilities.

There is too much unfairness about having one side of the market bear all the burdens while the other sings the songs. The burdens should be distributed and evenly borne. It can be more clearly shown by another illustration. Mr. A., the bull, has a million bushels of wheat which he concludes to keep until May, believing wheat will sell higher then than now. Mr. B., the bear, takes the other view and sells 1,000,000 bushels short, and puts up $20,000 against A.'s $1,000,000 perhaps. Time goes on, the wheat market drags, fluctuations are small, and on the first of May cash wheat is no higher than in August previous. At first glance, and without reflection, the deal would seem about even, neither having made nor lost. *But that is a delusion. B. (the bear) has made the carrying charges, say six cents per bushel,* $60,000, *while A. (the bull) has lost that amount, he having the carrying charges to pay besides interest. The* $20,000 *investment won* $60,000, *while the* $1,000,000 *investment lost* $60,000. If the amount invested in the even quantity deal had been the same then the outcome would have been fair enough, but any business method that gives one man in the same line such an enormous lead over another is not fair and ought to be corrected.

Where there is much smoke there is always some fire, and there is therefore some good grounds for the outcry against speculative short selling,

and the larger boards of trade should take the matter in hand and even it up by increasing the risks of the short sellers.

Below are extracts from telegrams which have appeared the past week in *The Standard*, and *Liverpool Daily Post*, relative to the wheat markets in New York and Chicago. They speak for themselves.

Wheat governed by Western bear operators.

Wheat declined on local operators selling.

Wheat declined on bulls unloading.

Wheat declined on realisations, but recovered on covering by bears, on reports of an early vote on the Silver Repeal Bill.

Wheat showed some irregularity by being confined almost wholly to "Scalping" against "Puts," but eventually, with bears covering, the market strengthened.

Wheat commenced ¼ c. down, and then became easy all day on bears, who covered yesterday, selling to-day, while there was also considerable unloading done by Armour, Partridge, and Wall Street bulls.

Wheat opened barely steady. Trading was active and excited. Bulls, who had purchased in the expectation of an immediate boom on the Silver Repeal question, and are tired of waiting, unloaded freely, and the close was easy at 1⅛ c. to 1⅜ c. down.

The following are to-day's values of a few of the "Options" and "Futures" dealt with in America, Liverpool, and London, as compared with the values as given in my last book. Note the heavy decline in all commodities with the exception of coffee. As regards the latter article, it will be noticed the value of "Futures" for July to December, 1894, are at a ruinous discount.

Values, June, 1893.			To-day's Values.		Futures.	
Red American Wheat	Liverpool	5*s.* 8¼*d.*	Oct. 1893	5*s.* 4*d.*		
May Option Wheat	Chicago	76¼	"	63¼	March, 1894	5*s.* 8¼*d.*
Rio Coffee	London	76*s.* 3*d.*	"	83*s.*	May, 1894	72¼
Beet Sugar	Liverpool and London	17*s.*	"	13*s.* 9*d.*	July to Dec., 1894	72*s.* 6*d.* to 75*s.*
China Tea	London	6 7*d.*	"	5 4*d.*	April, 1894	13*s.* 4*d.*
Indian Tea	London	8 1*d.*	"	6 8*d.*	July to Sept., 1894	5 4*d.*
Cotton	Liverpool and London	5 3¼*d.*	"	4 4¼*d.*	July to Sept., 1894	6 1*d.*
Silver	London	37 16*d.*	"	33 6*d.*	May to Aug. 1894	48¼*d.*
Calcutta Wheat	London	31*s.* 6*d.*	"	26*s.* 6*d.*	Feb. to Mar., 1894	32¾*d.*
Silk	London	10*s.* 6*d.*	"	9*s.* 7*d.*	Jan., 1894	26*s.* 10¾*d.*
			"	Flour, London, Oct. to Jan., 1894	May to June, 1894	9*s.* 10*d.*
						16*s.* 9*d.* to 17*s.*

The Gamblers of the Produce Markets.

The Lyceum, November 1st, 1893.

'Commercial Gambling,' by Charles W. Smith, endeavours to expose the modern system of so-called speculation which has grown up in all the great markets of the world. The work is written by a gentleman, who was himself engaged as a Liverpool broker for upwards of a quarter of a century, and who admits that during recent years he has been engaged in the system of "commercial gambling," which he endeavours to expose. The book describes a gigantic system of legalised fraud, gradually and surely seizing on one great staple product after another, and threatening to spread ruin and disaster, firstly among the commercial classes, and secondly among the farmers and landowners. To this system Mr. Smith ascribes, as to its chief cause, the present widespread depression in agriculture and trade. A short explanation of the mechanism of the system is necessary in order to understand how it is that the transactions of a small number of operators can cause such widespread misery.

To the uninitiated it would seem that a contract made by one dealer to deliver to another, on a certain day, a certain quantity of produce could not be turned to fraudulent purposes. But it is on this basis of a contract made between two dealers that the whole system of gambling in commodities is carried on. A class of contract is in use, known as "options" or "futures," under which one dealer contracts to buy from or sell to another, a certain commodity at a future date, when it is understood that the first has none of the commodity in question, and will have none to deliver at the date fixed, and the second does not wish to obtain any of the commodity which he has contracted to receive.

But, it may be asked, how can two men enter into a bargain about a commodity which has no existence at all? The reply is that they do not in reality make a bargain about the commodity, but about its price. A says to B, "I will take 1000 tons of corn from you three months hence at such and such a price;" B contracts with A to deliver the corn at the date fixed. When the time arrives B has no corn to deliver, and A does not want any, but the current price of corn is not now what A contracted to pay. If it is more B pays to A the difference; if it is less A, who is bound to take the corn at the price agreed on, pays to B the difference between the current price and price of the contract. It will thus be seen that there is no need whatever to exchange a ton of corn in order to close the transaction. It will further be seen that the transaction resembles a bet upon the course of the Corn Market, that it is an agreement on the part of A to pay if corn falls, and on the part of B to pay if it rises.

For the purpose of enabling these transactions to be carried on systematically, Clearing Houses have been established in most countries of Europe. Here obligation can be set off against obligation, the differences paid, and the parties to these contracts free to enter into new speculative engagements. The *Produce Clearing House* of Liverpool, established in 1883, and that of Mincing Lane, London, the French *Caisses de liquidation des affaires à terme,* and the German *Waren liquidation Kassen* are of this character. These institutions have their use for transactions which are of a genuine commercial character, which deal with the exchange of actually existing commodities.

But they also afford facilities for that species of dealing which we have described as betting on the market, and which may, without injustice, be termed commercial gambling.

The system of "moving" the crops of the world by means of "future" transactions had its origin about the year 1876. At first, contracts were made in reference to actually existing commodities. The contract was not closed until the seller had tendered the commodity in question, and the buyer then either accepted delivery, or, if the value had fallen in the meantime, paid the difference between the price stated in the contract and that current at the moment of "closing the deal." To close a contract of this class the seller should be able to tender the necessary quantity of the commodity. But during the last ten years this necessity has been dispensed with, thanks chiefly to the Clearing House and the "Settlement system." At the Clearing House, according to the usual practice, a contract of a given month, between two dealers trading together, is set off against another of the same month. Under the "Settlement system" the cash differences between the parties trading together are paid into the Clearing House on a fixed day each week, and in this way each account is balanced weekly. Thus, suppose two dealers to enter into a future contract which expires in three months' time. On the next settlement day, if the commodity has risen in value the seller must pay into the Clearing House the difference between the new price and that named in the contract. It is plain that, under this arrangement, all the possibilities exist for a system of gambling on a more gigantic scale than any plunging on the turf. Moreover, unlike the turf gambling, these operations are in progress all through the year, and unlike the turf disasters the ruin they cause here is not confined to the gamblers themselves, but re-acts on many who never heard of Clearing Houses, Options, or Futures.

It must be borne in mind that the prices current for these paper contracts help to fix the prices current for the exchange of commodities in *bonâ fide* dealings. Thus if by the fraudulent "rigging" of the "future" market the prices quoted in it are forced down, the prices of the commodities which are nominally the basis of the future contracts will likewise fall, causing loss and disaster to all producers and holders of those commodities. But even before the introduction of the "Settlement system," during the period when commodities should be tendered to close any transaction, the producer must have been victimized for the benefit of the commercial sharpers. Mr. Smith states that he has seen contracts having attached to them from fifty to a hundred and fifty names, each standing for a new transaction. These repeated sales involved brokerage and commissions to the extent of from 30 per cent. to 70 per cent. of the entire value of the produce represented.

To-day prices are driven down either by the "rigging" of the market, or by the forced sale of futures or options, owing to the failure of speculators. When an "operator" is unable to pay the weekly differences into the Clearing House, he is declared a defaulter, and his future contracts are immediately offered for sale in the market. This signifies an increase of the nominal supply of the commodity gambled in, and so lowers its price. But, apart from these accidents, the system now in operation causes four crops to be made out of one, for speculative purposes:—(1) the actual crop; (2) the artificial crop, in the shape of futures and options, sold by the holders of No. 1 to cover the possibility of loss; (3) the re-selling of these futures on behalf of the speculators; (4) a perfectly unlimited and artificial crop created by those who are selling for a fall in the market.

Now the effect of this artificial multiplication of the nominal supply is, that no matter how small the crop of any year may be, the steady increase in

the gambling system must increase the number and amount of the fictitious crop on offer, and hence force down prices.

In this way the prices of the produce market cease to be regulated by the supplies which producers send in, and the demand which consumers make for these supplies. As long as the operations of the gamblers can be carried on, the prices of commodities are determined by their machinations, and producer and consumer alike have to suffer from their schemes for making money. Mr. Smith contends that they are able to force down prices in circumstances in which an ever-growing demand would materially tend to raise them; and from the character of their operations, as we have described them, there does not appear any reason to deny them this dangerous power.

We find that during the decade 1880–1890 the price of wheat steadily declined in spite of the fact that, while the wheat production of the world increased by 56,000,000 bushels, the increase of the population of the United Kingdom and the United States alone was more than sufficient to consume the whole of this increase. Here we have a demand increasing far more rapidly than the supply, and nevertheless prices steadily falling. It becomes evident that the price which the farmer is to obtain for his produce in no way depends on the laws of demand and supply, on the plenty or scarcity of the crops of the world. He cannot foresee the prices which he may receive for his different crops. In Mr. Smith's opinion, he stands helpless and hopeless while a body of sharpers, under the protection of the laws, or in spite of them, band themselves together to disorganize and ruin the commercial and agricultural interests of the world.

The evil is aggravated by that further development of the system of speculation known as the "Corner," "Trust," or "Syndicate." Here a number of wealthy speculators join together in order to get control of the market of a particular commodity, and then to determine its price with the greatest advantage to themselves. The first step taken by the "corner" is to get possessed of as large a portion as possible of the existing supplies of the commodity in question. Next, the speculators purchase as large a supply of "future" contracts for the commodity as they can get hold of, and then call for delivery. The parties to these contracts, who had no notion that delivery would be called for, have to provide the stock demanded; they compete amongst themselves for such supplies as exist; prices rise rapidly, and the accumulated stores of the "corner" acquire an abnormal market value.

At first sight it might seem that this process would be of some benefit to the producers of the commodities. But on consideration, this is seen not to be the case. For the price is not raised until the commodities have left the hands of the producers. It would be a task beyond any band of speculators to get hold of the whole crop of one year, and so the "corner" is never attempted until late in the year, when the greater part of the crops has been consumed.

Again, not only do the producers gain nothing by the "corner," but ultimately they are the greatest sufferers.

It has been the result of every great "corner" yet attempted, either in the American or English markets, that a re-action has set in after a short period of higher prices. Prices begin to fall, and this causes a panic among the gamblers themselves; each day's fall begets a greater fall on the next day, and ultimately prices range lower than before the artificial rise.

Moreover, while prices were artificially raised, every manufacturer was obliged to pay the enhanced price for the raw material he required. If the fall comes before he can recoup himself by advancing the price of the

manufactured articles, he suffers the loss. If the fall is postponed long enough, the consumer must suffer by paying an enhanced price.

Thus it is seen that, apart from the dislocation of trade which must result from the sudden and violent fluctuations in price which cannot be foreseen, actual ruin must be brought to many manufacturers by the operations of the "corner."

Further, the disasters of which the manufacturers are the victims must result in widespread and cruel suffering to the workers.

It is something of a satisfaction to know that the sufferings inflicted on others often overtake the members of the "corner" themselves. The methods we have described have been pursued by the nine "corners" which operated in the Chicago Corn Market between 1882 and 1887, the different "corners" of the Liverpool Cotton Market, the maize "corner" of Vienna in 1888, and many others besides. At first sight it might seem that the undertaking must infallibly succeed if the coalition of speculators is sufficiently powerful and has sufficient credit. Nevertheless, only a small number of "corners" have been successful, and these have owed their success to exceptional circumstances. There is this difficulty in their way: when there is a question of the natural products of the soil—corn, coffee, cotton, &c.—the centres of supply are always very numerous, the reserved stocks not offered in the market are considerable, and the low cost of transport enables holders to send their commodities from the most distant corners of the world, when prices rise to an exceptional height. Thus in 1889 several cargoes of Roumanian corn were imported into the United States. Even without an actual transport of commodities it is enough that a marked difference of price is maintained in different markets—for example, in London and the American corn markets—to keep down the price in Chicago and New York.

Where there is question of the products of mines and factories, yarns, woven stuffs, cast iron, copper, tin, &c., production is developed rapidly, for the modern mines and factories are equipped to produce much more than their normal output. On the other hand, the rise in price has a tendency to restrict consumption. Flour dealers and weavers, calculating on a fall in the market, will purchase only the corn and cotton necessary for daily consumption, so that the supply will accumulate to an indefinite extent. Hence, no "corner" can permanently control the market; its disturbing influence can be only temporary.

At the beginning of 1890, a "pool" was formed in the silver market of the United States, with the help of the Barings of London. It succeeded in a few months in raising the price of silver from 3*s.* 6½*d.* per oz. to 4*s.* 6*d.* Their method was to hold the stock of silver and to dispose of only very small quantities. The "pool" hoped to secure a vote of Congress in favour of the free carriage of silver. It failed, and the price of silver fell soon after to 3*s.* 7*d.*—the price which the natural condition of the market would have created. This was the first blow to the fortunes of the Baring family.

The same was the result in the case of the coffee "corner" formed in 1886 and continued during the years 1887 and 1888. It succeeded in raising the price of Santos—the quality which regulates the market—from 70 francs to 155 francs. But even here a crash was the ultimate result.

In 1888–89 a syndicate formed at Magdeburg, with the help of certain French, German, and English bankers, was able to raise the price of sugar in European markets by about 33 per cent. In July, 1889, the re-action set in, prices fell, and the Clearing House of Magdeburg had to defer settlements till September 14th, in order to avert a colossal disaster.

India-rubber is produced chiefly at Para in Brazil; it has frequently been

the object of the enterprises of speculators of London and New York. Baron Viana, who was the agent of the English and American bankers, succeeded in 1883 in raising the price from 40 cents to 1 dollar 25 cents a pound in London. But the American manufacturers suddenly restricted their demand, and the Baron lost heavily. He began operations again in 1891, this time with the assistance of the Barings and other English bankers. Up to five millions sterling were put into the venture; but disaster was again the result.

These are satisfactory results; but the newly-introduced systems of commercial gambling have the further effect of injuring all classes of the community, and ultimately bringing about the ruin of the gamblers themselves.

That these are no mere theories unsupported by logical facts, Mr. Smith shows with much force:—

Firstly, those commodities in which no gambling facilities exist have not suffered such a fall in price.

Thus, for example, few facilities exist for carrying on gambling transactions in oats. Now, while in the decade 1882–92 wheat fell 33 per cent. in price, oats fell only 14 per cent.

Secondly, as to the effect of these transactions on the industrial organization: owing to the existence of "corners" in the cotton market, and the consequent disasters inflicted on the manufacturers, the Lancashire mills have been worked on "short time" during eight years out of the last thirteen.

Thirdly, to prove the powerlessness of speculators to permanently enhance the price of commodities: during the great copper corner in 1888 copper was was raised to £110 per ton, and in 1889 the manipulators having failed, prices fell to £77, and subsequently to £39 10*s.*

The effects of all these transactions are told by Mr. Smith with a clearness and conciseness which will make them understood by those who never before heard of "corners," "options," or "futures."

The conclusion which he draws, and which any one reflecting on the disastrous effects of these transactions in the past, must draw, is that State interference is urgently needed to declare illegal these contracts for the purchase and sale of commodities, where there is no real basis of commodities and where the contract thus partakes of a purely gambling character.

That this State interference is now urgently needed is seen by the daily increase in the number and volume of these transactions. On a recent day the report of the New York Produce Market read as follows:—"Wheat sales—Futures 1,500,000 bushels; 'spot' sales, 180,000 bushels. Corn sales—Futures, 1,200,000 bushels; 'spot' sales, 60,000 bushels." This is but a sample of the daily market returns from the United States—60,000 bushels of corn as a basis for transactions amounting to 1,200,000!

It must not be forgotten that the effect of these transactions is not confined to the "futures" or even the wholesale market. The price of the wheat grown by the farmer throughout the world is fixed by the quotations rulin for "futures." As the price of "futures" falls so does that of the real supply of these commodities.

For those who wish to understand these dealings, as we stated above, no better work could be found than 'Commercial Gambling.' It is one which will commend itself, alike to the man of business for its thorough grasp of commercial problems, and to the general reader for its clearness and conciseness.

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PRICE TWO SHILLINGS.

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PRICE THREE SHILLINGS AND SIXPENCE.

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